

**The Law of Maximum Profit and the
Principal Contradiction in the Imperialist Era**

(Excerpt from *New Democratic Revolution is the
Main Force of the World Proletarian Revolution*)

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Introduction

In the previous chapter, we critiqued the UOC(MLM)¹ leadership's incorrect political and social conceptions of imperialism. We seek to demonstrate the total incompatibility between the thesis of a supposed *progressive tendency of imperialism that sweeps away pre-capitalist modes of production in the oppressed countries*, and the ideology of the international proletariat, particularly in light of the contributions and developments of Leninism and Maoism. Finally, as stated by the Great Lenin: "*the specific political features of imperialism are **reaction everywhere and increased national oppression.***"²

We have seen how incorrect the UOC(MLM)'s conclusions are, since they believe that the export of capital to the oppressed countries is responsible for the sweeping-away of feudalism; therefore, the agrarian problem in such countries has been solved, and the fundamental contradiction in the countryside is not the contradiction between the peasantry and the landowners, but between the rural proletariat and the agrarian bourgeoisie. The UOC(MLM) leadership thus supports a semi-anarchist agrarian program that seeks to convince the poor peasantry to collectivize their property and production. This a basic issue for Marxist-Leninist-Maoists in the oppressed countries.

In this chapter, we will critique the economic foundations of this misconception of the UOC(MLM) leadership. We are undertaking this struggle not just with the goal of "demonstrating the serious errors" of the UOC(MLM)'s conception, but mainly because these

1 Communist Worker's Union (Marxist-Leninist-Maoist). — *Trans.*

2 V. I. Lenin, "Imperialism, the Highest Stage of Capitalism," *Collected Works*, Progress Publishers, Moscow, 1974, Vol. 22, p. 287; PCB's bolding.

issues are of paramount importance for the ICM.³ In this regard, two-line struggle against the incorrect positions of the UOC(MLM) mainly serves to improve Communists' understanding of the particularities of imperialism and to develop the ideology of the international proletariat, with the goal of solving the new problems that have arisen over the course of the World Proletarian Revolution. Among such problems, we emphasize those of a theoretical nature, such as the question of land-rent in the colonial and semi-colonial countries in the imperialist era and the current role of the peasantry in the World Proletarian Revolution; these are theoretical questions related to immediate practical, political, and military matters, such as how Communists should address the Yankee imperialist policy of the depopulation of the countryside to arrest the development of Protracted People's War. These are burning ideological questions that extend far beyond this polemic, but they are questions we must emphasize and consider through two-line struggle.

3 International Communist Movement. — *Trans.*

1. Maximum Profit as a Particularity of Monopoly-Capitalism

With regards to political-economy, we saw above how the UOC(MLM) leadership asserts that capitalism in the imperialist era, despite its monopolist character, has “become an internationalized mode of production”;⁴ that it has “linked all countries, with their specific modes of production, into a single global economy.”⁵ We showed above that this linking occurred during capitalism’s stage of *free competition* with the development of “big industry and the world capitalist market” as a unity of opposites. The conception of imperialism as an “internationalized mode of production”⁶ in the sense that it has “broken down national barriers and has pitted **classes against one another** on the world stage”⁷ is a major deviation from Marxism-Leninism-Maoism. To assert, as the UOC(MLM) does, that the contradiction between the proletariat and the bourgeoisie has become “a single contradiction that involves the **entire world proletariat and the entire world bourgeoisie**”⁸ may sound like a “leftist” statement, but it is simply the old Trotskyist line which stinks of imperialism and pure rightism.

Lenin emphasized that imperialism is a result of the concentration of production because: “Competition becomes transformed into monopoly. The result is **immense progress in the socialization of production,**” but “appropriation remains private.”⁹ This progress in the socialization of production, therefore, does not occur, as

4 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 6, 2022.

5 *Ibid.*

6 *Ibid.*

7 UOC(MLM), *Revista Contradicción* [Contradiction], no. 1, quoted in *Revista Contradicción*, no. 8, 1992, PCB’s bolding.

8 UOC(MLM), *Revista Contradicción*, no. 8, 1992, PCB’s bolding.

Avakian argues, as: "**The integration of colonies** into a new global framework [that] enables imperialist capital to both more profitably expand and restructure internationally and to further **transform production relations** in the oppressed countries to meet its requirements."¹⁰ Chairman Mao defended the Communist International's statement that "**Imperialism**, with all its financial and military might, **is the force in China that supports, inspires, fosters and preserves the feudal survivals**, together with their entire bureaucratic-militarist superstructure."¹¹ To claim that imperialism is an "*internationalized mode of production*" that "*integrates the colonies into a new global framework that transforms the relations of production,*" or that it "*sweeps away pre-capitalist modes of production*" is nothing but apologia for imperialism and the mystification of its supposed progressive tendencies.

One of the distinct features of imperialism is its progression of the socialization of production by intensifying national oppression rather than overcoming it, and by preserving feudal survivals, rather than transforming them or sweeping them away, as defended by the revisionist Avakian and the UOC(MLM) leadership. According to Lenin, the progression of the socialization of production implies that "The extent to

9 V. I. Lenin, "Imperialism, the Highest Stage of Capitalism," *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 205; PCB's bolding.

10 RCP-USA, *New Twist in the Imperialist Knot*, quoted in *Revista Contradicción* [Contradiction], no. 8, p. 24; PCB's bolding.

11 Chairman Mao, "The Chinese Revolution and the Chinese Communist Party," *Selected Works*, Foreign Languages Press, Peking, Vol. 2, p. 312; PCB's bolding.

which monopolist capital has intensified all the contradictions of capitalism is generally known. It is sufficient to mention the high cost of living and the tyranny of the cartels. **This intensification of contradictions constitutes the most powerful driving force of the transitional period of history**, which began from the time of the final victory of world finance capital.”¹² Since imperialism is reaction all along the line, it intensifies contradictions and does not resolve them; it does, however, enable the proletariat to resolve all of these contradictions (including those left unresolved by the bourgeois revolution), and, for this reason, signifies the beginning of the New Era, the era of the World Proletarian Revolution.

Now, let's see how the UOC(MLM) leadership seeks to economically justify their conception of imperialism and the type of capitalist development specific to the oppressed countries. In their most recent critique of our Party and of the ICL, they state:

“Imperialism has even more drastically expanded the reserve army of labor and has learned how to take advantage of the ‘cheapness and abundance of available wage laborers,’ which, as we said above, implies the **superexploitation of the proletariat in the oppressed countries** and relative underdevelopment which is reproduced and compensated in the form of **superprofits for the imperialists and the local ruling classes.**”¹³

12 V. I. Lenin, “Imperialism, the Highest Stage of Capitalism,” *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 300; PCB's bolding.

13 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 6, 2022; PCB's bolding.

They assert that imperialism takes advantage of the growth of the reserve army of labor to superexploit the proletariat in the “oppressed countries,” thereby ensuring superprofits for the imperialists and **“the local ruling classes.”** They claim that the bourgeoisie of the colonial and semi-colonial countries draw superprofits just like imperialism does; likewise, they claim that this bourgeoisie enjoy the same rate of profit as finance-capital. As Lenin demonstrated in his study of imperialism, superprofits are a particularity of finance-capital under monopoly-capitalism.

Imperialist profit in the form of monopoly profit, as we shall examine in further detail, is necessarily exclusive; it is profit over which the monopolist corporations and the imperialist States squabble among themselves in pursuit of the booty of the oppressed countries, turning them into colonies and semi-colonies in the process specifically to ensure the most favorable conditions in which to compete, captive markets for their corporations’ products, and raw material and energy sources. Add to this the superexploitation of the workers fostered by the backwards conditions and the obstruction of independent development imposed upon these countries. Monopoly implies the exclusivity of certain conditions of production and the circulation of more favorable products. *Free competition*, on the other hand, corresponds—theoretically, at least—to equalized conditions in which to compete. The UOC(MLM)’s economic argument is a rehash of old revisionist arguments. But before diving into the origin of this falsehood, let us first see how it completely contradicts Leninism, which analyzed the particularity of the imperialist monopoly specifically as it related to

England's monopoly over the manufacturing industry in the 19th century:

“On the threshold of the twentieth century we see the formation of a new type of monopoly: firstly, **monopolist associations of capitalists in all capitalistically developed countries**; secondly, **the monopolist position of a few very rich countries**, in which the accumulation of capital has reached gigantic proportions. **An enormous ‘surplus of capital’ has arisen in the advanced countries.**”¹⁴

Lenin made it clear that capital accumulation unfolds in gigantic proportions *in a few rich countries*, not in every country, because this “surplus capital” is formed under monopolistic conditions, which the oppressed countries lack. The condition of the privileged monopoly is the economic basis of inter-imperialist contradictions, with the imperialist powers squabbling among themselves over those privileges which ensure monopoly profits, as we saw above. To claim that an oppressed country can engage in capital accumulation at the same rate of profit as the imperialist bourgeoisie is to completely contradict the economic basis of the Leninist theory of imperialism. Lenin addressed the dispute between imperialist powers for monopoly status as follows:

“Any country which has more colonies, capital and armies than ‘we’ have, **deprives ‘us’ of certain privileges, certain profits or superprofits.** Just as among individual capitalists superprofits go to the one whose machinery is

14 V. I. Lenin, “Imperialism, the Highest Stage of Capitalism,” *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 241; PCB’s bolding.

superior to the average... **so among nations the one that is economically better off than the others gets superprofits.**¹⁵

In other words, superprofits—the rate of accumulation of the imperialists—can only be obtained by depriving the competing imperialist power of certain privileges. It is thus even more nonsensical to claim that the ruling classes of the colonial and semi-colonial countries are capable of drawing superprofits just like the imperialists are. The monopoly is fundamentally exclusive; that is one of its particularities. Which conditions of production ensure these superprofits in the meantime? Lenin answered thus:

“The imperialism of the beginning of the twentieth century completed the division of the world among a handful of states, each of which today exploits **(in the sense of drawing superprofits from)** a part of the ‘whole world’... **each of them occupies a monopolist position in the world market** thanks to trusts, cartels, finance capital and creditor and debtor relations; **each of them enjoys to some degree a colonial monopoly...**”¹⁶

The answer is made crystal clear: A handful of States exploit part of the world from which to draw superprofits, which they are able to do precisely because of their monopolist position, itself due to the concentration of productive capital in the trusts. They draw monopoly profits because they are colonial monopolists. How could the bourgeoisie of a colonial or

15 V. I. Lenin, “Imperialism and Socialism in Italy,” *Collected Works*, Progress Publishers, Moscow, Vol. 21, p. 359; PCB’s bolding.

16 V. I. Lenin, “Imperialism, the Highest Stage of Capitalism,” *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 284; PCB’s bolding.

semi-colonial country obtain the same rate of profit as the financial oligarchy to the extent that they export capital? The UOC(MLM) leadership's economic argument suggests that the bourgeoisie of the colonial and semi-colonial countries are being converted into exporters of capital, that the bourgeoisie of the "oppressed capitalist countries" have "*accumulated a great amount of capital, even generating local surplus,*" and that one cannot "*deny their true monopolist character and imperialist aspirations.*"¹⁷

Entertaining the possibility that "imperialist integration" allows the entire bourgeoisie to expand proportionately amounts to a defense of imperialism. As Marx analyzed in *Capital*, this harmonious growth in the concentration and centralization of capital was not possible even under *free competition*, since bigger capital invariably tends to expropriate smaller capital, thereby centralizing greater capital in the hands of a small number of bourgeoisie. Imperialism results from this high concentration of capital. Therefore, it is impossible for a bourgeoisie with less capital to accumulate enough capital to compete with the imperialist bourgeoisie in the capital export market. To assert that the bourgeoisie of different countries freely associate and divide the entirety of social surplus-value among themselves is a foolish, liberal fantasy and a wicked, revisionist illusion.

Under imperialism, superprofits drawn from finance-capital constitutes maximum profit, which is exclusive to the monopolies and imperialist States. We will begin our study of maximum profit at the economic

17 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 6, 2022; PCB's bolding.

foundations laid by Marx and Engels with regards to the relationship between production, circulation, and distribution of wealth in society. Capitalist profit and the deprivation thereof—imperialist maximum profit—pertain to the sphere of distribution, as analyzed by Marx. Understanding these foundations of Marxist political-economy is essential to understand why the transformation of free competition into monopoly-capitalism requires the transformation of the law of profit under the capitalist mode of production, i.e., the transformation of the law of average profit into the law of maximum profit.

1.1. Marx on the Particularity of the Capitalist Mode of Production

Contrary to the UOC(MLM) leadership's claims, imperialism does not result in a qualitative change in the capitalist mode of production. Generally, the mode of production retains the same fundamental characteristics, as was analyzed by Marx. This does not mean, however, that qualitative changes have not occurred in the sphere of production. On the contrary, it is precisely this sphere in which the qualitative modifications analyzed by Lenin unfold, as well as in the sphere of circulation:

“Half a century ago, when Marx was writing *Capital*, free competition appeared to the overwhelming majority of economists to be a ‘natural law’. [Marx demonstrated] by a theoretical and historical analysis of capitalism... that **free competition gives rise to the concentration of production**, which, in turn, at a certain stage of development, **leads to monopoly**. Today, monopoly has become a fact.”¹⁸

18 V. I. Lenin, “Imperialism, the Highest Stage of Capitalism,” *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 200;

Monopoly in production and in the sphere of circulation, both of which are key economic characteristics of imperialism, do not modify the essence of the capitalist mode of production; much less do they alter the fundamental contradiction of the capitalist process—between social production and private appropriation—the social expression of which continues to be the contradiction between the bourgeoisie and the proletariat. The core of the process of production still consists of that which was outlined by Marx in *Poverty of Philosophy*: “...division of labor as practiced in manufactures, is a specific form of the capitalist mode of production,”¹⁹ i.e., the segmentation of the productive process, of that same act of labor, into a succession of combined partial actions; this is the specific form taken on by the division of labor under the capitalist mode of production. Division of labor existed prior to the capitalist mode of production, but it was only at this historical juncture that it took on the above particularity. Division of labor in manufacture is, therefore, “a special creation of the capitalist mode of production alone.”²⁰

It is this specific form of the capitalist mode of production prior to machinery that created the new social productive force:

“In such cases the effect of the combined labor could either not be produced at all by isolated individual labor, or it could only be produced by a great expenditure of time, or on a very dwarfed scale. Not only have we here an **increase in the productive power of the individual, by means of co-**

PCB's bolding.

19 Karl Marx, *Capital*, Progress Publishers, Moscow, Vol. 1, p. 342, footnote 1.

20 *Ibid.*, p. 339.

operation, but the creation of a new power, namely, the collective power of masses.”²¹

The fact that the productive process is divided on a global scale, that the socialization of production has increased tremendously, does not reflect a qualitative change in the capitalist mode of production. After all, as Marx analyzed, the international division of labor and the consequences arising therefrom had already occurred under the stage of *free competition*. As Marx said:

By constantly making a part of the hands ‘supernumerary,’ modern industry, in all countries where it has taken root, gives a spur to emigration and to the colonization of foreign lands, which are thereby converted into settlements for growing the raw material of the mother country; just as Australia, for example, was converted into a colony for growing wool... **A new and international division of labor**, a division suited to the requirements of the chief centers of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field.”²²

What, therefore, are the changes in the economic basis of imperialism that have resulted from the colossal concentration of capital? To answer this question, let us consider **Engels’ analysis of the development of the contradiction between the mode of production and the mode of exchange under capitalism.**

As we saw in the first section of this text, it was *Anti-Dühring* in which Engels stated that the fundamental contradiction of capitalist society is between the social character of production and private capitalist

21 *Ibid.*, pp. 308-309; PCB’s bolding.

22 *Ibid.*, pp. 424-425; PCB’s bolding.

appropriation. Engels would later supplement this analysis in *Socialism: Utopian and Scientific* by laying the foundations upon which Lenin would base his theory of imperialism. In this book, Engels analyzed how the rebellion of the mode of production against the mode of exchange is the basis of crises of overproduction which, finally, leads to the formation of trusts and monopolies:

“In these crises, the contradiction between socialized production and capitalist appropriation ends in a violent explosion. The circulation of commodities is, for the time being, stopped. Money, the means of circulation, becomes a hindrance to circulation. All the laws of production and circulation of commodities are turned upside down. The economic collision has reached its apogee. **The mode of production is in rebellion against the mode of exchange.**”²³

This rebellion of the mode of production against the mode of exchange is the demand by the social productive forces for the total recognition of their social, not private, condition:

“Thus on the one hand the capitalist mode of production stands convicted of its own incapacity to continue the administration of these productive forces. On the other hand, these productive forces themselves press forward with increasing power towards the abolition of the contradiction, **to their deliverance from their character as capital,** towards the actual recognition of their character as social productive forces.”²⁴

Thus, important changes emerge from this conflict between the mode of production and the mode of

23 Friedrich Engels, *Socialism: Utopian and Scientific*, Foreign Languages Press, Paris, 2020, p. 75; PCB's bolding.

24 *Ibid.*, p. 76; PCB's bolding.

exchange as part of the economic base of capitalist society:

“It is this counterpressure of the productive forces... against their character as capital, this increasingly compulsive drive for the recognition of their social nature, which forces the capitalist class itself to treat them more and more as social productive forces, as far as this is at all possible within the framework of capitalist relations. The period of industrial boom with its unlimited credit inflation no less than the crash itself operating through the collapse of large capitalist establishments, drives towards that form of the socialization of larger masses of means of production which we find in the various kinds of joint-stock companies.”²⁵

However, it is the rebellion of the social productive forces, moreso than this official recognition, which determines changes in the content of the mode of exchange under capitalism:

“Many of these means of production and communication are so colossal from the outset that, like the railways, they exclude all other forms of capitalist exploitation. At a certain stage of development this form, too, no longer suffices; the large-scale producers in one and the same branch of industry in a country unite in a ‘trust’, an association for the purpose of regulating production. They determine the total amount to be produced, parcel it out among themselves and thus enforce the selling price fixed beforehand... In the trusts, free competition changes into monopoly and the planless production of capitalist society capitulates before the planned production of the invading socialist society.”²⁶

25 *Ibid.*, p. 76; PCB’s bolding.

26 *Ibid.*, p. 76-77; PCB’s bolding.

The contradiction between social production and private appropriation invariably results in the cyclical crises of overproduction characteristic of the capitalist economy; these crises involve the rebellion of the social mode of production against the mode of exchange, *free competition*. The result of this contradiction was brilliantly outlined by Engels: "*Free competition changes into monopoly,*" the anarchy of social production under capitalism capitulates before the planned production of the nascent socialist mode of production. The rebellion of the social productive forces against the capitalist mode of appropriation and exchange signifies the passage to another system, as defined by Lenin, who fully developed the ideas of the Great Engels:

"[C]ertain of [capitalism's] fundamental characteristics began to change into their opposite... Economically, the main thing in this process is the **displacement of capitalist free competition by capitalist monopoly**. Free competition is the basic feature of capitalism, and of commodity production generally; monopoly is the exact opposite of free competition, but we have seen the latter being transformed **into monopoly** before our eyes... At the same time the monopolies, which have grown out of free competition, do not eliminate the latter, but exist above it and alongside it, and thereby give rise to a number of very acute, intense antagonisms, frictions and conflicts. Monopoly is the transition from capitalism to a higher system... **the deepest economic foundation of imperialism is monopoly.**"²⁷

The concentration of production in the sphere of production determines qualitative changes in the

27 V. I. Lenin, "Imperialism, the Highest Stage of Capitalism," *Collected Works*, Progress Publishers, Moscow, Vol. 22, pp. 266-67; 276; PCB's bolding.

capitalist mode of exchange. Monopoly is imposed and becomes dominant, but *free competition* continues to exist alongside and below monopoly; the stage of the capitalist process is thus modified. As Chairman Mao noted: "In a given process or at a given stage in the development of a contradiction, A is the principal aspect and B is the non-principal aspect; **at another stage or in another process the roles are reversed.**"²⁸ Therefore, imperialism is not categorized as a separate mode of production. If it were, the process would change. A profound change does, however, occur in the sphere of production and in the mode of exchange, *i. e.*, a higher stage of development of capitalism. Let's see what other transformations in the economic base of society that determine these changes. For this, we must trace Engels' analysis of the relationship between the capitalist mode of production, mode of exchange, and mode of distribution.

1.2. The Mode of Production and Exchange Determine a Society's Mode of Distribution

Marx and Engels worked out a complete critical theory of the capitalist economy with all its spheres: production, exchange, distribution, and consumption; they identified the sphere of production as the main sphere that determines the others. *Ultimately*, the aggregate of these spheres constitutes the material basis of society, which determines its superstructure. In *Preface to a Contribution to the Critique of Political Economy*, Marx analyzed the dialectical relationship between these economic factors. But this

28 Chairman Mao, "On Contradiction," *Selected Works*, Foreign Languages Press, Peking, Vol. 1, p. 333; PCB's bolding.

text was not published by the co-founders of Communism. It was *Anti-Dühring* in which the duo, supplemented by an analysis of the relationship between these economic spheres, put forward a more comprehensive definition of the mode of distribution in terms of the dialectical relationship between the mode of production and the mode of exchange:

“Then it was seen that **all past history** [with the exception of its primitive stages,] **was the history of class struggles**; that these social classes warring with each other are always the products of the **relations of production** and exchange—in a word, of the economic relations of their epoch; that therefore the economic structure of society always forms the real basis, from which, in the last analysis, the whole **superstructure** of legal and political institutions as well as of the religious, philosophical, and other ideas of a given historical period is to be explained.”²⁹

It specifies the economic structure of society as relations of production and relations of exchange. Engels defines political-economy as: “**the science of the laws governing the production and exchange** of the material means of subsistence in human society. Production and exchange are two different functions. **Production may occur without exchange, but exchange—**by the very fact that it is only an exchange of products—**cannot occur without production.**”³⁰ In rigorously defending Marx’ theories, Engels illustrated the dialectical relationship between production and exchange, and, at the same time, the ultimate determinant of production vis-à-vis exchange. This exemplifies their mutual determination:

29 Friedrich Engels, *Anti-Dühring*, Foreign Languages Press, Paris, 2020, pp. 25-26; PCB’s bolding.

30 *Ibid.*, p. 159; PCB’s bolding.

“Each of these two social functions is subject to the influence of what are for a large part special external factors, and consequently each has what are also for a large part its own **special laws**. But on the other hand, they constantly **determine and influence each other** to such an extent that they might be termed the abscissa and the ordinate of the economic curve.”³¹

Finally, Engels established the relationship between the modes of production, exchange, and distribution in a given society; *i.e.*, how the total productive output is distributed among the members of the social body, among the classes of a given social formation:

“The nature and **mode of distribution** of the products of a specific historical society are simultaneously given with the nature and **mode of production and exchange** in that society and with its historical preconditions.”³²

And:

“**[D]istribution** is always the **necessary result of the relations of production and exchange** in a particular society, as well as of the historical preconditions of this society; so much so that when we **know these relations and preconditions** [of production and exchange —*PCB.*], **we can definitely infer the prevailing mode of distribution in this society.**”³³

As we saw above, the specific form of the capitalist division of labor is the division of the same productive act in the same manufacturing unit; this division creates a new productive force, the collective force, which,

31 *Ibid.*, p. 159; PCB's bolding.

32 *Ibid.*, p. 160; PCB's bolding.

33 *Ibid.*, p. 166; PCB's bolding.

alongside the social means of production (machinery) constitute social production. The mode of exchange appropriate for capitalist production is *free competition*. And the mode of distribution, or appropriation of the social product, is capitalist private property, as described by Marx: "*The capitalist mode of appropriation, the result of the capitalist mode of production, produces **capitalist private property.***"³⁴

The capitalist mode of distribution, or the characteristic elements of the bourgeois mode of production, are twofold: The first is the distribution of new value produced in the productive process between capital and labor; The second, the distribution of *surplus-value* appropriated by the capitalist under this same productive process, or, the distribution of *surplus-value* among the branches of production, its distribution in the form of the capitalist's profit, interest, and land-rent.

The first law of this mode of distribution is that the worker sells his *labor-power* to the capitalist at its *exchange-value*; by purchasing it, the capitalist acquires the right to consume the *use-value* of labor-power over the course of the productive workday. This commodity (*labor-power*) is unique, however, in that the consumption of its use-value results in the production of *surplus-value*. This new value produced by the worker over the course of the workday is divided into two parts: the *value necessary* for the reproduction of his labor-power; and *excess value*. This *necessary value* corresponds to his wage, and *excess value* to the *surplus-value* which is appropriated by the capitalist.

34 Karl Marx, *Capital*, Progress Publishers, Moscow, Vol. 1, p. 715; PCB's bolding.

The second law of the capitalist mode of distribution concerns the distribution of *surplus-value*. According to Marx, surplus-value is distributed among the capitalist in accordance with the magnitude of their capital irrespective of whether they are employed in branches of production with a greater or lesser *organic composition of capital*. Thus, the capitalist does not directly expropriate the *surplus-value* that he extracts from his workers. Free circulation of capital, *free competition* among the capitalists, determines the distribution of total *social surplus-value* among the capitalists in accordance with a *general rate of profit*. This average profit is drawn by the capitalists in accordance with the magnitude of their capital.

According to Engels and Lenin, towards the end of the 19th and the beginning of the 20th centuries, substantial changes took place in the sphere of production and in the capitalist mode of exchange. In the sphere of production, there arose a high concentration of production—the establishment of trusts and monopolies in certain sectors of the economy—which determined the transformation of capitalism from *free competition* into monopoly. According to Engels' dialectical formula, it is possible to infer a mode of distribution given the modes of production and exchange. Thus, the social production of commodities and *free competition* determine the laws of capitalist distribution. The above changes in the sphere of production and in the capitalist mode of exchange led to changes in the mode of distribution under imperialism—the monopoly stage of capitalism. What are these changes, and what do the great leaders [*jefes*] of the international proletariat have to say about them?

1.3. Two Particularities of the Mode of Distribution Under Imperialism: Permanent Superexploitation and Maximum Profit

Lenin clearly outlined the two changes in the mode of distribution under imperialism. He showed how the concentration of capital—the cartels and monopolies in the sphere of production and the fusion of industrial capital with banking capital—gave rise to finance-capital and enabled the drawing of *superprofits*, thereby disrupting the regulation of the distribution of *surplus-value* under the *free competition* stage of capitalism: “[M]onopoly yields *superprofits*, i.e., a surplus of profits over and above the capitalist profits that are normal and customary all over the world.”³⁵ Lenin characterized these monopoly profits as “superprofits gained by finance-capital.”³⁶

Superprofits in and of themselves are not a phenomenon exclusive to imperialism. They are commonly-found under the *free competition* stage of capitalism. Whenever the capitalist exploits conditions of production that are more favorable than those of his competitors, he draws superprofits, or *extra surplus-value*. Value determines the price of a commodity, which itself corresponds with the socially-necessary labor time required for its production. When a capitalist ensures the production of a commodity with labor time lower than the socially-necessary average, he draws superprofits.

35 V. I. Lenin, “Imperialism and the Split in Socialism,” *Collected Works*, Progress Publishers, Moscow, Vol. 23, p. 114; PCB’s bolding.

36 V. I. Lenin, “Theses on Fundamental Tasks of the Second Congress of the Communist International,” *Collected Works*, Progress Publishers, Moscow, Vol. 31, p. 193; PCB’s bolding.

However, as soon as these production conditions become universal, such as with the introduction of new machinery or a new method of exploitation of the proletariat (for example, a more intense rate of production), the production time of all of the capitalist's competitors is equalized, and that relative difference is canceled out. This equalization persists until a new method of extraction of *extra surplus-value* emerges. The drive for *extra surplus-value* is the main impetus for competition between capitalists in the same branch of production.

Superprofits under imperialism are unique in that they are crystallized into a form exclusive to finance-capital, because they are formed under conditions of production that only the capital of great imperialist powers, *i.e.*, finance-capital, can generate. These conditions of production are achieved by imperialism through the export of capital to the oppressed countries. As Lenin pointed out, in these countries: "Capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap."³⁷ In other words, finance-capital can only draw superprofits by asserting monopolistic control over the conditions of production in the colonies and semi-colonies.

As Lenin and Engels pointed out, the transformation of capitalism from *free competition* into monopoly did not abolish the contradictions between capital. On the contrary, this transformation intensified and escalated those contradictions, turning the trade wars between the nation-States of the 17th and 18th centuries into wars between imperialist powers at the turn of the 19th and 20th centuries and thereafter. The

37 V. I. Lenin, "Imperialism, the Highest Stage of Capitalism," *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 241.

finance-capital of one imperialist power competes with the finance-capital of another in pursuit of these superprofits, in pursuit of the conditions of production that allow it to draw these profits. This is the economic basis of the redivision and redistribution of the world—the dispute over monopolistic control of the colonies and semi-colonies with the plundering of their natural wealth and the possibility of the permanent superexploitation of their proletariat and other workers. The role of the local big bourgeoisie of the oppressed countries, which has developed into a big bourgeoisie bound to finance-capital, will always remain that of an imperialist “subaltern” and lackey. It has not become integrated [with the imperialist powers — *Trans.*], it is completely dependent upon and subjugated by them, and it eagerly welcomes this subjugation.

In developing Leninism and drawing important economic lessons from the end of WWII, Comrade Stalin made a decisive contribution to the analysis of imperialism:

“It is said that the average profit might nevertheless be regarded as quite sufficient for capitalist development under modern conditions. That is not true. The average profit is the lowest point of profitableness, below which capitalist production becomes impossible. But it would be absurd to think that, in seizing colonies, subjugating peoples and engineering wars, the magnates of modern monopoly capitalism are striving to secure only the average profit. No, it is not the average profit, **nor yet superprofit**—which, as a rule, represents only a slight addition to the average profit—but **precisely the maximum profit that is the motor of monopoly capitalism.**”³⁸

38 J. V. Stalin, *Economic Problems of Socialism in the USSR*, Foreign Languages Press, Peking, 1972, p. 39; PCB’s bolding.

This is the first particularity of the mode of distribution under imperialism: The goal of the imperialist bourgeoisie, of monopoly-capitalism, is not average profit, nor even ephemeral superprofit, but *maximum profit*. If the economic law of capitalism under free competition was the pursuit of profit, the economic law under monopoly-capitalism is the pursuit of *maximum profit*, profit above which there can be no other. It is clear that this maximum profit, too, is monopolized by finance-capital, since it is only possible to draw superprofits by seizing colonies, subjugating their peoples, and waging war.

We will discuss the other consequences of this concept as established by Comrade Stalin later. But first, we must analyze the other particularity of the mode of distribution under imperialism: the permanent superexploitation of the proletariat of the oppressed nations.

As we saw above, the superexploitation of labor is not exclusive to monopoly-capitalism, the imperialist stage of capitalism. We have seen how this brutal form of exploitation arose in England as analyzed by Marx, and how it constitutes a means of accelerating the accumulation of capital. The sustained superexploitation of labor, however, results in at least two socioeconomic consequences. The perpetual compensation of labor-power below its value invariably leads to the wilting away [*marchitamiento*] of the working class, to the shortening of life expectancy, *etc.* The capitalist can adopt this form of exploitation only if there is a steady renewal of the surplus population, for in this way, the mass of workers outside the labor market can replace that which is wilting away due to sustained

superexploitation. Population is a decisive economic factor for superexploitation.

On the other hand, sustained superexploitation leads to social upheavals by the working class, who would rather die than starve under the yoke of the capitalist. Such was the case in England in 19th century with the emergence of the Chartist movement and the trade unions. Such was the case in continental Europe, mainly from 1848 onward. Under *free competition*, England's monopolistic conditions of production in manufacturing enabled the drawing of superprofits, which were then used to bribe a particular stratum of the English working class in order to reduce social tensions. This persisted until the mid-19th century and was characterized by Marx and Engels as the emergence of a "*labor aristocracy*."

In developing Marxism, Lenin demonstrated that, under imperialism, superprofits drawn by finance-capital enabled the growth of this "labor aristocracy" in all the States that oppressed the vast majority of the nations of the world. He thus established a direct link between the rise of imperialism and temporary opportunist control of the workers' movement in the oppressor countries. At the same time, he stressed the fact that the indefinite, prolonged bribery of this stratum of the proletariat was impossible. Imperialism tends inevitably toward crises, toward struggle between the imperialist powers over the redistribution of the world, and toward competition between monopoly corporations of each imperialist country; this situation also destabilizes the *labor aristocracy*.

Thus, under the mode of distribution of the new value generated by the struggle between capital and labor, the laws governing the stage of *free competition* also underwent changes. While superexploitation was

transitory under free competition, under imperialism, it crystallized and became a more or less permanent feature of the proletariat of the oppressed countries. Imperialism thereby imposes worse living conditions upon the proletariat of the semi-colonies than those imposed upon the proletariat of the imperialist countries. In this way, imperialism seeks to draw superprofits with the export of capital, alongside the establishment of "social peace" within its own territory. It thus seeks to render part of the proletariat of its own country complicit in the oppression and national subjugation of the oppressed countries.

However, as we have already seen, superexploitation is not exclusive to the oppressed countries, in two respects: First, this superexploited proletariat is a source of *surplus-value*, mainly for finance-capital and, to a lesser extent, for big capital in the oppressed countries; and second, the proletariat of the oppressed countries is also superexploited within the territory of the imperialist powers. Today, the immigrant proletariat is decisive for sustaining industrial production, trade, and the service sectors of the imperialist countries. There would be no Yankee economy without the Mexican, Colombian, Latin American, and Caribbean proletariat within its territory; there would be no German industry without the Turkish and Kurdish proletariat; there would be no trade and service sectors in Europe without the Indian, Bangladeshi, Vietnamese, Senegalese, Nigerian, Ecuadorian, Brazilian, etc., proletariat.

This mass of immigrant workers constitutes a direct source of *surplus-value*; they are superexploited, since the imperialist bourgeoisie takes advantage of their precarious legal status to impose degrading conditions of

exploitation upon them, in the process extracting a much higher rate of *surplus-value* than from the national proletariat. But, at the same time, this mass of immigrant workers exerts pressure on the [imperialist] country's proletariat, depressing wages and allowing the ruling class to whip up all sorts of reactionary, chauvinist, and fascist ideology to scapegoat these immigrants for increasing unemployment and decreasing wages.

On the one hand, maximum profit has crystallized in the form of distribution of the surplus-value of finance-capital. On the other hand, the superexploitation of the proletariat has been permanently thrust upon the masses of the colonial and semi-colonial countries, whether they live in their countries of origin or work in the territory of the imperialist countries.

1.4. Maximum Profit is the Economic Law of Monopoly-Capital

Imperialist maximum profit is a particular form of capitalist superprofit. As we saw above, under *free competition*, capitalists who possessed the best conditions of production were able to draw superprofits. When these conditions could no longer be monopolized, such the steam-engine, to use Marx' example, they became generalized and available for use by all competing capitalists. Thus, the most advantageous condition of production disappeared, followed by superprofit. Under imperialism, superprofit acquired certain particular characteristics that transformed it into maximum profit. This was because transformations in the sphere of production determined the tremendous concentration of capital, which itself implied that certain branches of

production could be exploited by capital only of the greatest magnitude. The exploitation of these branches of production thus became a monopoly of this tremendously-concentrated capital. In his study of imperialism, Lenin outlined how this phenomenon first appeared in heavy industry; Engels had already proven how this particularity was necessary for capitalism in the rail industry, for example.

The monopolistic exploitation of capital had expanded to all branches of the economy, leading to qualitative changes in the mode of exchange. *Free competition* was thus transformed into monopoly-capitalism. Superprofit that had, under free competition, been ephemeral among capitalists in the same branch of production began to crystallize, at first only in those branches of production that could be exploited by tremendous quantities of concentrated capital. In such branches, the superprofits of finance-capital transformed into the maximum profit, typical of imperialism. Lenin gave us two examples of the formation of monopolies—in the industrial production of sugar, and cement:

“[T]he Sugar Trust set up monopoly prices, which secured it such profits that it could pay 10 per cent dividend... *or about 70 per cent on the capital actually invested at the time the trust was formed!*”³⁹

And:

“Where it is possible to capture all or the chief sources of raw materials, the **rise of cartels and formation of monopolies** is particularly easy. It would be wrong, however, to assume that monopolies do not arise in other industries in

39 V. I. Lenin, “Imperialism, the Highest Stage of Capitalism,” *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 233.

which it is impossible to corner the sources of raw materials. The cement industry, for instance, can find its raw materials everywhere. Yet in Germany this industry too is strongly cartelized... The prices fixed are **monopoly prices**: 230 to 280 marks a car-load, when the cost price is 180 marks!”⁴⁰

The sugar cartel secured a 70% rate of profit after it was formed; the cement cartel, on the other hand, secured **monopoly prices** far higher than those normally incurred by production costs. The stabilization of superprofit, initially only in certain branches of production, and then across all branches, signaled its transformation into *maximum profit*. As Engels clearly stated, the relationship between the mode of production, the mode of exchange, and the mode of distribution is not passive; each determines the development of the other: “*Distribution, however, is not a merely passive result of production and exchange; it reacts just as much on both.*”⁴¹ Therefore, it is necessary to take a detailed look at the implications of this change in the entire economic base under imperialism.

What was the result of the cement cartel’s fixing of monopoly prices? From where did the sugar cartel extract this superprofit? Marx demonstrated in detail in Volume 1 of *Capital* that profit cannot be explained by the sphere of exchange. In other words, the fact that a producer sells his commodities at a price above their value cannot explain profit in social terms. As Marx demonstrates, the only source of profit under capitalist production is *surplus-value*—unpaid labor—extracted from the worker through the relationship between wage

40 *Ibid.*, pp. 207-208; PCB’s bolding.

41 Friedrich Engels, *Anti-Dühring*, Foreign Languages Press, Paris, 2020, p. 161; PCB’s bolding.

and production. This does not change under imperialism. The point, however, is that the *surplus-value* appropriated by the capitalist is not immediately produced by the worker who he exploits. As we saw above, capitalist profit is regulated by the distribution of the entirety of socially-produced *surplus-value*; this *surplus-value* is distributed among different branches of production, among different forms of capital (industrial, banking, and commercial), and among different forms of profit (entrepreneurial profit, interest, and land-rent) consistent with the general rate of profit in a particular society.

According to Marx, from the perspective of the relationship between value and price, the distribution of surplus-value under free competition unfolded as follows: Different capitalists who produced the same commodity, *i.e.*, who were direct competitors, operated under different conditions of production. The labor time necessary for the production of the commodity differed. The capitalist with better conditions produced in less time what the capitalist with worse conditions produced in more time. However, the value of a commodity is not defined by its particular conditions of production, but by *socially-necessary labor time*. The social value of industrial commodities were determined by the **average conditions of production** of each competing capitalist. In the next section, we will see that the laws determining the social value of agricultural and extractive commodities are different from industrial commodities. In agriculture, it is not the average conditions of production that determine social value, but the condition of land. But this point requires a separate analysis. Let's continue on with the analysis of the price of production of industrial commodities.

Social value is the productive basis of the commodity's market price. Social value effects the laws governing the distribution of *social surplus-value*. Under *free competition*, this was the law of average profit. Under this law, the price of production of a commodity is equal to its social value—or, the costs of production—plus the *average profit*. As we saw above, the capitalist with lower production costs will draw *surplus-profit*, different from the particular form of profit characteristic of the imperialist stage of capitalism.

As proven by Lenin's example, under imperialism, finance-capital initially commands a ***monopoly price*** over certain branches of production, *i. e.*, a price higher than the price of production, thereby securing a profit higher than the average profit. This surplus-profit cannot emerge simply from exchange. Therefore, it signifies a change in the distribution of *surplus-value*. In other words, branches of production that successfully command a monopoly price appropriate a larger fraction of social *surplus-value* than the capitalists of other branches. Thus, the monopoly profit of a branch of production signifies a profit below the average profit of the other branches. Lenin underlined this change in the distribution of surplus-value among the different branches of production under imperialism when he said:

“...‘heavy industries’ exact tribute from all other branches of industry.”⁴²

Before analyzing the sources that secure the delivery of this tribute to monopolized branches of production, it is important to underline the existence of

42 V. I. Lenin, “Imperialism, the Highest Stage of Capitalism,” *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 217.

superprofit that has crystallized as maximum profit as a result of finance-capital's monopoly over production. **This determines different rates of profit under imperialism.** It is impossible for all capital to have a maximum profit, because the monopoly profit of any given branch of production will always be at the expense of the rate of profit of the non-monopolized branches. However, the monopolization of branches of production by finance-capital has brought them progressively under its control, transforming them into monopolized branches. When this occurs, does imperialist superprofit, or *maximum profit*, disappear? No, "*maximum profit is the driving force of monopoly-capitalism.*" That is why imperialist competition, far from having disappeared, has transformed into feverish rivalry among the imperialist powers and among the corporations of each imperialist country in pursuit of monopoly profit. Maximum profit, according to its monopolist nature, can only emerge out of the violent defeat of a competitor—"employing dynamite"⁴³ against them—and increasing dominance over colonial and semi-colonial territories. As the Great Lenin said:

"Imperialism is monopoly capitalism. Every cartel, trust, syndicate, every giant bank is a monopoly. **Superprofits have not disappeared; they still remain.** The exploitation of all other countries by one privileged, financially wealthy country **remains and has become more intense.** A handful of wealthy countries—there are only four of them, if we mean independent, really gigantic, 'modern' wealth: England, France, the United States and Germany—have developed monopoly to vast proportions, they obtain **superprofits** running into hundreds, if not thousands, of millions, they 'ride on the backs' of hundreds and hundreds of millions of

43 *Ibid.*, p. 208.

people in other countries and fight among themselves for the division of the particularly rich, particularly fat and particularly easy spoils. This, in fact, is the **economic and political essence of imperialism**, the profound contradictions of which Kautsky glosses over instead of exposing.”⁴⁴

Maximum profit is, therefore, only possible for a handful of countries that exploit the billions of men and women of all the other countries. This is the driving force of monopoly-capitalism, for *maximum profit*, the result of the development of the *law of surplus-value*, has become the law governing distribution under imperialism. As Stalin said:

“Is the law of value the basic economic law of capitalism? No. The law of value is primarily a law of commodity production... Having a wide sphere of operation in capitalist conditions, the law of value, of course, plays a big part in the development of capitalist production. But not only does it not determine the essence of capitalist production and the principles of capitalist profit; it does not even pose these problems. Therefore, it cannot be the basic economic law of modern capitalism.”⁴⁵

And:

“Most appropriate to the concept of a **basic economic law of capitalism is the law of surplus value**, the law of the origin and growth of capitalist profit. It really does determine the basic features of capitalist production. But the law of surplus value is too general a law that **does not cover the problem of the highest rate of profit...** the law of surplus

44 V. I. Lenin, “Imperialism and the Split in Socialism,” *Collected Works*, Vol. 23, p. 115; PCB’s bolding.

45 J. V. Stalin, *Economic Problems of Socialism in the USSR*, Foreign Languages Press, Peking, 1972, pp. 37-38; PCB’s bolding.

value must **made more concrete and developed further in adaptation to the conditions of monopoly capitalism...**⁴⁶

Maximum profit is the law governing monopoly price and the distribution of surplus-value under imperialism. Let us now turn to some of the factors that fuel this imperialist profit.

1.5. Maximum Profit as a Social Tribute to Finance-Capital

The expansion of monopoly over all the branches of production of the global economy does not make superprofits vanish. As soon as cartels and trusts became exclusive to branches of heavy industry, they received tribute from other branches of production. When monopoly became generalized, this tribute was paid by society as a whole:

“Finance capital, concentrated in a few hands and exercising a virtual monopoly, exacts enormous and ever-increasing profits from the floating of companies, issue of stock, state loans, etc., strengthens the domination of the financial oligarchy and levies tribute upon the whole of society for the benefit of monopolists.”⁴⁷

The surplus-profit of finance-capital in relation to what would constitute average profit under *free competition* is comprised of this tribute that the financial oligarchy levies upon the whole of society for its benefit. The principal source of this tribute is found in

46 *Ibid.*, p. 38; PCB's bolding.

47 V. I. Lenin, "Imperialism, the Highest Stage of Capitalism," *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 232; PCB's bolding.

the colonies and semi-colonies, and, as we saw above, constitutes one of the economic bases for the dispute among the imperialist powers for the redivision of the world. Each wants to ensure the most favorable conditions for the production of maximum profit. That is why Lenin said:

“The struggle among the world imperialisms is becoming more acute. **The tribute levied by finance capital on the most profitable colonial and overseas enterprises is increasing.**”⁴⁸

The entire process of the militarization of imperialism, the entire tendency toward violence, is based upon and justified by the frenzied rush for *maximum profit*. Therefore, the UOC(MLM) leadership’s conclusion that the bourgeoisie of the colonial and semi-colonial countries draw a rate of profit equal to that of the bourgeoisie of the imperialist countries is complete nonsense. After all, as Comrade Stalin said:

“It is precisely **the necessity of securing the maximum profits** that drives monopoly capitalism to such risky undertakings as the enslavement and systematic plunder of colonies and other backward countries, **the conversion of a number of independent countries into dependent countries**, the organization of new wars—which to the magnates of modern capitalism is the ‘business’ best adapted to the extraction of the maximum profit—and, lastly, attempts to win world economic supremacy.”⁴⁹

48 *Ibid.*, p. 275; PCB’s bolding.

49 J. V. Stalin, *Economic Problems of Socialism in the USSR*, Foreign Languages Press, Peking, 1972, p. 39; PCB’s bolding.

It is the drive for *maximum profit* that explains the accentuation of national oppression under imperialism, as well as the conversion of independent countries into dependent countries. We have already examined Lenin's explanation of the economic bases that enable capital exported by the imperialist countries to draw superprofits from the colonial and semi-colonial countries, countries in which: "capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap."⁵⁰ In order to understand the relationship between low land prices and cheap commodities, we must assess the *Marxist theory of land-rent*, which we will do in the next section. Here, we will examine the two other elements: scarce capital and low wages.

In discussing changes in the mode of distribution under imperialism, we addressed the question of the superexploitation of the proletariat of the oppressed nations, regardless of whether they work in their own countries or in the imperialist countries as immigrants. It is necessary to stress that this permanent superexploitation of the proletariat of the oppressed nations is the main source of the *maximum profit* of finance-capital. In other words, the proletariat of the oppressed countries bears the bulk of this tribute paid by the whole of society to the financial oligarchy. In analyzing the phenomenon of the labor aristocracy in the imperialist countries, Lenin stressed:

"Economically, the difference is that sections of the working class in the oppressor nations **receive crumbs from the superprofits the bourgeoisie of these nations** obtains by **extra exploitation of the workers of the oppressed nations.**

50 V. I. Lenin, "Imperialism, the Highest Stage of Capitalism," *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 241.

Besides, economic statistics show that here a larger percentage of the workers become 'straw bosses' than is the case in the oppressed nations, a *larger* percentage rise to the labor aristocracy. That is a fact. To a certain degree the workers of the oppressor nations are *partners* of their own bourgeoisie in plundering the workers (and the mass of the population) of the oppressed nations.'⁵¹

This passage is very important, because it highlights the character of the ***permanent extra exploitation of the workers of the oppressed nations***; because it emphasizes that this superexploitation is the source of superprofit, the crumbs of which are shared among the *labor aristocracy*; it highlights the exploitation of both the workers and the masses of the oppressed nations; and it connects this superexploitation of the proletariat and imperialist national oppression to the opportunistic complicity of finance-capital.

The other element for the drawing of superprofits from the oppressed countries as highlighted by Lenin is the *scarcity of capital*. That is, exported finance-capital in the colonial and semi-colonial countries; capital of little magnitude and at a very early stage in the process of accumulation. This limited accumulation of local capital made competition with finance-capital impossible, since the conditions of production arising from the unprecedented concentration of capital in the advanced countries became the exclusive monopoly of finance-capital. Finance-capital placed two paths in front of big capital accumulated in the colonial and semi-colonial countries: the path of national development in unequal competition with finance-capital, with all the

51 V. I. Lenin, "A Caricature of Marxism," *Collected Works*, Progress Publishers, Moscow, Vol. 23, pp. 55-56; PCB's bolding.

consequences of such competition; or the path of becoming bound to finance-capital as lackeys in the process of accumulation, as accomplices in the national subjugation and superexploitation of their countries' budding proletariat. In the 20th century, the era of the world bourgeois-democratic revolution came to a close with the advent of imperialism, and the era of the World Proletarian Revolution began. The big bourgeoisie of the oppressed countries generally tended toward the second path, only in rare cases following the first, and, in doing so, invariably faced imperialist military retaliation.

This subjugation by finance-capital, alongside the capital accumulated by the big bourgeoisie and the *latifundio* of the colonies and semi-colonies, is one of the most important economic characteristics of the socio-economic structures of the oppressed countries. Chairman Mao referred to this subjugation as bureaucrat-capitalism, i.e., capitalism that did not follow the path of revolutionary, democratic development, but that of becoming bound to finance-capital and allying with imperialism and the local *latifundio*. This big bourgeoisie—both bureaucrat and comprador—is a subordinate but indispensable aspect of finance-capital. Its direct task is to enforce the superexploitation of the proletariat of the oppressed nations. Fascism generally comprises the political conditions necessary for securing this exploitation. These are political systems characterized by the absolute centralization of State power in the executive branch, through which the reactionary armed forces wield perpetual trusteeship [*tutela*] over the civilian governments, either through office or direct military control, in periods of revolutionary upsurge.

These characteristics are more or less typical for colonial and semi-colonial countries across the globe. It is self-evident that the profit drawn by this bureaucrat- and comprador-bourgeoisie cannot be as big as that drawn by finance-capital; however, it cannot be too meager a profit either, since the semi-colonial big bourgeoisie carry out tasks indispensable for imperialism, and, in doing so, are compensated in kind. It is thus a big monopoly-bourgeoisie—monopolist not in terms of the global market, but in terms of the national market, and, in certain cases, and in a very restricted form, in terms of the regional market. It wields control over all foreign trade through the old State apparatus, thereby monopolizing the import and export of commodities in association with finance-capital. It wields control over the nation's industry through State- or non-State capital based on the preservation of the *latifundio* and monopoly property relations and land concentration, all of which are bound up with international finance-capital. In doing so, they receive compensation at a fraction of the financial oligarchy's imperialist profit. These profits allow them to reproduce as the big monopoly-, bureaucrat-, and comprador-bourgeoisie, wielding control over the State apparatus.

Therefore, this big bureaucrat- and comprador-bourgeoisie of the oppressed countries do not draw *maximum profit*, but, alongside finance-capital, constrain the profit of the national (middle) bourgeoisie. In doing so, they draw monopoly profit with respect to the non-monopolist middle bourgeoisie. The middle bourgeoisie's production is always small-scale, and is unable to compete with local and foreign monopoly. Generally, it serves as a supplement to the big bourgeoisie's enterprises and to the State's supply

[*suministro*] of commodities and secondary services. Its rate of profit is incomparably lower than that of finance-capital, and considerably lower than that of the big bureaucrat- and comprador-bourgeoisie. In political terms, it lacks the privileges of the bureaucrat- and comprador-bourgeoisie, whether they be tax exemptions, access to State credit, and import quotas or policies that favor exports. It also superexploits its country's proletariat, but it does not enjoy the economic leverage needed to draw even average profit, and it competes in a national market that is completely monopolized.

A large chunk of the *surplus-value* that the middle bourgeoisie extracts from the workers is itself extracted by the bureaucrat- and comprador-bourgeoisie and by finance-capital. It is restricted by finance-capital and bureaucrat-capitalism since it cannot draw even average profit; the chunk of surplus-value that it would yield under *free competition* is extracted by the monopoly to draw *maximum profit*. The national (middle) bourgeoisie draws minimum profit, and for this reason, it comes into conflict with bureaucrat-capitalism and imperialism. But, since its profit is drawn from the superexploitation of the proletariat, it lives in fear of the latter. It is economically-dependent upon imperialism, bureaucrat-capitalism, and the *latifundio*. Because of this, it is an economically-weak and politically-vacillating class. However, because of its contradictions with imperialism, the local big bourgeoisie, and the *latifundio*, it tends to support the national democratic struggle. For this reason, the program of the revolutionary united front must protect its interests, thereby neutralizing it, and, under certain conditions and for a certain period of time, can ensure its active

participation, mainly in times of imperialist invasion of national territory.

The superexploitation of the proletariat of the oppressed nations and the restriction of the profit of the national bourgeoisie constitute the two sources of finance-capital's *maximum profit*. The first source is the principal source; the second, as we shall see, constitutes what Lenin described as *low prices of land and cheap raw materials*. As we saw above, changes in the sphere of production and the mode of exchange during the transition from *free competition* to monopoly-capitalism determined changes in the mode of distribution of the capitalist economy. The distribution of new value created in the act of production consists of two fundamentally differing rates of *surplus-value*: That of the workers of the oppressed nations, and that of the stratum of the labor aristocracy of the oppressor nations. The distribution of *surplus-value* is determined by different rates of profit: The *maximum profit* of finance-capital, *i.e.*, imperialist capital, monopoly profit of the big bureaucrat- and comprador-bourgeoisie of the oppressed countries; and the minimum profit of the national (middle) bourgeoisie of the colonies and semi-colonies.

Finally, it is important to note that different rates of profit in accordance with the magnitude of capital was touched upon by Marx and Engels, and appeared in their study of capitalism under *free competition*. We can see this in the following note by Engels:

“In Marx’s copy there is here the marginal note: ‘Here note for working out later; if the extension is only quantitative, then for a greater and a smaller capital in the same branch of business the profits are as the magnitudes of the capitals advanced. **If the quantitative extension induces**

qualitative change, then the rate of profit on the larger capital rises simultaneously.’⁵²

In the same vein, the study of the conditions of *maximum profit* has long been a subject of study in political-economy. For example, in *Economic and Philosophic Manuscripts of 1844*, Marx quotes the following passage by Adam Smith:

“**The highest rate** to which ordinary profits can rise is that which in the price of the greater part of commodities **eats up the whole of the rent of the land**, and **reduces the wages** of labor contained in the commodity supplied to the **lowest rate, the bare subsistence of the laborer** during his work. The worker must always be fed in some way or other while he is required to work; **rent can disappear entirely**. For example: the servants of the East India Company in Bengal.”⁵³

In other words, according to Smith, the maximum rate of profit can be drawn when wages are reduced to the minimum, and when land-rent is completely suppressed. He gives us an example of these conditions in Bengal, when it was still an English colony. In this section, we have studied the relationship between imperialist maximum profit and the superexploitation of the proletariat of the oppressed nations. In the next section, we will study the mechanisms by which land-rent is suppressed in the semi-colonies as a fundamental part of the formation of the maximum profit of finance-capital.

52 Karl Marx, *Capital*, Progress Publishers, Moscow, Vol. 1, p. 598, footnote 1; PCB's bolding.

53 Adam Smith, quoted by Karl Marx, *Economic and Philosophical Manuscripts of 1844*, Progress Publishers, Moscow, 1997, p. 38; PCB's bolding.

2. Land-Rent in the Colonial and Semi-Colonial Countries in the Imperialist Era

In order to analyze the process of land-rent in the colonial and semi-colonial countries in the imperialist era, we must first grasp the Marxist theory of capitalist land-rent. Without a good grasp of this theory, we cannot hope to understand the phenomenon as it exists today in the countries that constitute the vast majority of the world, nor the development of this process in the monopoly stage of capitalism. As Marx clarified, the theory of capitalist land-rent starts at the specific case of England. It was under English conditions that modern landownership "has been adequately developed."⁵⁴ The classical form of bourgeois landownership in England allowed Marx to form the most universal theory with regards to this complex and critical matter of political-economy. Basing himself on the theses of [Adam] Smith and [David] Ricardo, mainly the latter, Marx drafted his *theory of capitalist land-rent*.

Proficiency in this theory is the key to its correct application to particular conditions different from those of England; to distinctions in terms of time period (we are in the monopoly stage of capitalism) and place—in this case, Latin America, the socio-economic structures of which originated much differently than they did in England. These particularities include: more recent colonization, vastness of the territory, and lack of industrial capitalist development. In his theory, Marx himself provides formative analyses of the land-rent of the agro-exporting *latifundio* of Latin America, as well as the particularities of peasant land-rent when it is bound up with the capitalist market.

These are very important starting points to understand contemporary phenomena; but they need to

54 Karl Marx, *Theories of Surplus-Value*, Progress Publishers, Moscow, 1968, Part 2, p. 238.

be theoretically developed by the international proletariat. Indeed, Marx' *theory of land-rent* was drafted at a stage in the capitalist process in which large monopolies had not yet prevailed over production, in which *free competition* dictated the circulation of capital, and in which average profit constituted the law of distribution of *surplus-value*. As stated by Lenin and Stalin, these conditions underwent changes over the course of the 20th century. What are their impacts on the operation of land-rent under imperialism? This is a question which must be answered theoretically and practically by the ICM, for the answers to these questions will lead to an understanding of the particular relations of production under imperialism, as well as part of the economic basis of national oppression and of the superexploitation of the proletariat and the peasantry of the oppressed nations in the current era. Our Party seeks to help settle this question as part of the current two-line struggle in the ICM.

In their critique of the ICL and of our Party in particular, the UOC(MLM) addressed this question by derisively characterizing us as "***advocates of the theory of semi-feudalism.***"⁵⁵ Name-calling often makes two-line struggle toxic, but we gladly embrace this label, since the Marxist-Leninist-Maoist characterization and the UOC(MLM)'s characterization can only be opposites. Although, we have no clue what our UOC(MLM) critics mean by "*theory of semi-feudalism.*" We are Marxist-Leninist-Maoists. We are advocates of the theory of feudalism and semi-feudalism, as were the leaders of the international proletariat: Chairman Mao, Chairman Gonzalo, İbrahim Kaypakkaya, Charu Majumdar, and

55 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 6, 2022; PCB's bolding.

Jose Maria Sison. We defend this theory because it is scientific and true, as well as decisive for waging revolution in the colonial and semi-colonial countries.

After thrusting this “label” upon us, the UOC(MLM) leadership went on to claim that there is an **“overlap between the theory of semi-feudalism and neoliberal theorists with regards to capitalist ground-rent.”**⁵⁶ To compare Chairman Mao’s theory of semi-feudalism with the “neoliberal” position is, to put it mildly, nonsense. It is a misunderstanding of the differences between one thing and another. For example, they claim:

“One of the main errors that the supporters of the theory of semi-feudalism make is their misunderstanding of the concept of **absolute ground-rent**. Incidentally, this overlaps with neoliberal theorists. According to such a theory, **the tenant-farmer is the same as the wage-laborer**, with the only difference being that the wages of the former are not paid in money, but in kind. These individuals completely ignore the fact that the tenant-farmer owns the means of production, invests capital, **controls the labor process**, and makes decisions regarding production.”⁵⁷

They claim that, just like neoliberal theorists, we misunderstand the concept of absolute ground-rent; that, according to us, the tenant-farmer is the same as a wage-laborer; and that we ignore the fact that the tenant-farmer controls the labor process. The UOC(MLM)’s theoretical error is profound; the neoliberal theorist does not consider the tenant-farmer to be a wage-laborer, but a “partner” of the big landowners who draws a percentage from the profits. This is the liberal and neoliberal

56 *Ibid.*; PCB’s bolding.

57 *Ibid.*; PCB’s bolding.

understanding of the relations of production of sharecropping that we analyzed earlier. With regards to the two other claims, Marx' *theory of capitalist land-rent* is crystal clear: The peasant does not enjoy absolute rent, not even when he owns the parcel of land, much less when he is a tenant. Moreover, the peasant does not control the labor process, but is himself controlled and oppressed by it.

The UOC(MLM) leadership themselves adopt a bourgeois-liberal economic position when they treat the peasantry as **capitalist tenant-farmers**:

“According to them [theorists of semi-feudalism], this tenant-farmer is an unfree and destitute worker, and not a **capitalist tenant** who owns the means of production. Capital must be contributed by the landowner, and the sharecropper contributes only labor. This **destitute sharecropper**, in return, receives **only** a modest wage, whereas the landowner obtains rent (as Ricardo says!). But if we look closer, we can see that what **these theorists refer to as ‘wages’ are, in reality, profit drawn by the capitalist tenant-farmer.**”⁵⁸

The UOC(MLM) reveals their theoretical ignorance in this critique, since they misunderstand both semi-feudalism and “neoliberalism,” as well as Ricardo’s theory of land-rent. Indeed, according to Ricardo, the tenant does not receive a “*given wage*.” On the contrary, he always draws the average profit. Ricardo’s error, as revealed by Marx, is that he failed to explain land-rent for poor soil, *i.e.*, absolute rent, which is a key theoretical issue that can be solved only by Marxist political economy. Also, in the strange statement from January 2023 seen above, the UOC(MLM) contradicts their own *Program* published in 2015. As we saw in

58 *Ibid.*; PCB’s bolding.

their analysis of capitalist development in agriculture in the colonial and semi-colonial countries, the UOC(MLM), only a few years ago, considered sharecropping to be a disguised wage-labor relationship, feudal in form, but wage-labor in essence. Let's remind the UOC(MLM) of their former position:

“Sharecropping... has become a modality of capitalist exploitation of the land. These wage-labor relations of production have been concealed under the old cover of sharecropping...”⁵⁹

Now, in their critique of our Party, the UOC(MLM) has readjusted their position to claim that the sharecropping relationship in the colonial and semi-colonial countries constitutes a relationship between a capitalist tenant and a landowner. We showed above that the sharecropping relationship is not purely wage-labor as the UOC(MLM) leadership previously claimed; much less can it be considered a tenant-farmer relationship characterized by capitalist profit. To regard this exploitative relationship concealed by sharecropping as capitalist profit is a disgraceful “neoliberal” approach that seeks to classify all those who are exploited by capital as entrepreneurs, petty businessmen, *etc.* This is what the UOC(MLM) advocates for in identifying the peasantry as capitalist tenants:

“The tenant-farmer produces surplus on the leased farm alongside his family and hired hands. Part of this surplus goes to the landowner in the form of rent, another

59 UOC(MLM), *Programa para la Revolución en Colombia* [Program for the Revolution in Colombia], 2015; PCB's bolding.

part goes to the usurer/creditor in the form of interest, and the rest goes to the tenant-farmer as profit.”⁶⁰

According to the UOC(MLM), the relationship between the tenant-peasant and the landowner is characteristic of capitalism. This capitalist peasant hires labor force, delivers land-rent to the *latifundio*, and keeps the rest as profit. Thus, the rent delivered by the peasant to the landowner is capitalist land-rent; the profit drawn by the peasant from the sale of his products is capitalist profit; and the value paid out to the hired labor force constitutes capitalist wages. These conclusions are completely opposed to the fundamentals of Marxist political economy. One of Marx’ critiques of Ricardo was that Ricardo, as well as bourgeois political economists in general, viewed capitalist relations of production as “natural” relations that always existed and will always exist. According to Ricardo, all land leases constituted capitalist land-rent. Therefore, the UOC(MLM) repeats Ricardo’s errors. Marx said:

“Ricardo, after postulating bourgeois production as necessary for determining rent, **applies the conception of rent, nevertheless, to the landed property of all ages and all countries.** This is an error common to all the economists, who represent the bourgeois relations of production as eternal categories.”⁶¹

Marx proved that viewing the peasantry as capitalist-tenants is a fundamental theoretical error; and if this was an error under *free competition*, it is

60 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 6, 2022; PCB’s bolding.

61 Karl Marx, *Poverty of Philosophy*, Foreign Languages Press, Paris, 2021, p. 147-148; PCB’s bolding.

completely alien to reality under the monopoly stage of capitalism. The UOC(MLM) is saying that a tenant-farmer draws a capitalist profit after selling his products. It does not strike them as extraneous that he uses his family's manpower for production (without remuneration in wages). This is all presented by the UOC(MLM) as cut and dry capitalist relations of production. Marx already addressed this issue in a clear way when analyzing rent paid by the Irish peasantry:

“This is how it is in Ireland, for example. Here **the tenant is generally a small peasant**. What he pays the landowner for his lease often absorbs not only a portion of his profit, *i. e.*, his own surplus labor, which he has a right to as the owner of his own instruments of labor, **but also a portion of the normal wage, which he would receive for the same amount of labor under other conditions.**”⁶²

In other words, when the tenant is a farmer, the rent paid to the landowner covers not only the profit, but also part of his wages, *i. e.*, the tenant-farmer receives less than what he would receive for the same labor if he were a wage-laborer. It is this destitute peasant, with living conditions worse than those of the agricultural wage-laborers, that the UOC(MLM) views as a **“capitalist tenant.”** Marx proved, on the contrary, that there is no capitalist land-rent for the tenant-peasant, that such a thing only exists on paper:

“The landowner can even lease out his land to a worker who is content to pay someone else, in the form of rent, everything, or the greater part of it, that the sale price yields him over and above his wages. **In none of these cases is a genuine rent paid, even though a lease-price is.** Where

62 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 763; PCB's bolding.

relations corresponding to the capitalist mode of production exist, however, rent and lease-price must coincide.”⁶³

As we will see below, capitalist land-rent exists only as a surplus above the average rate of profit established in a given economy. According to Marx, since rent deducts part of what would constitute the tenant’s wages or profit, it does not constitute capitalist land-rent insofar as the tenant fails to draw average profit. The UOC(MLM) completely ignores this and even goes as far as synthesizing a new (non-Marxist) political-economic category—the “*capitalist peasant-landowner*”.

“That being said, capitalist agriculture may be dominated by the capitalist rentier-landowner (CRL) or the **capitalist peasant-landowner** (CFLL) depending on conditions of production.”⁶⁴

Look what it has come to! How can capitalist agriculture be dominated by the “*capitalist peasant-landowner*” class? Under certain conditions, a landowner may become a capitalist; under more specific conditions, a peasant may also become a capitalist. But how can one be both a big landowner and a petty landowner? Earlier, we looked at Marx’ criticism of Proudhon, of his synthesis of two arbitrary concepts into “new” economic categories; the UOC(MLM), following in the “dialectical” footsteps of Proudhon and Prachanda, have managed to **combine three into one**, synthesizing the concept of “*capitalist peasant-landowner*,” even giving us its “*English acronym*”.

63 *Ibid.*, p. 890; PCB’s bolding.

64 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 6, 2022; PCB’s bolding.

Even after this “dialectical” juggling routine, the UOC(MLM) leadership continues to assert that we, the “*theorists of semi-feudalism*”, do not understand “*the concept of absolute rent.*”⁶⁵ Let’s see, then, how the UOC(MLM) interprets some of the key concepts of the *Marxist theory of capitalist land-rent*. According to the UOC(MLM), the definition of capitalist differential rent is as follows:

“Differential rent **emerges** from either the natural fertility of the land due to its advantageous condition (differential rent I) or from capital successively invested into the same land (differential rent II).”⁶⁶

They define absolute rent as follows:

“Absolute rent **emerges** from the monopoly on territorial property; it is tribute paid by society to the monopoly private ownership of the soil.”⁶⁷

The UOC(MLM) proceeds from the incorrect assumption that capitalist differential rent “**emerges**” from differences in fertility, or from the accumulation of labor on the same plot of land; following the same pattern, they claim that absolute rent “**emerges**” from monopoly on landownership. Therefore, they confuse the *factors of land-rent* with its *origin*. Capitalist land-rent emerges from the capitalist mode of production, which springs from manufacturing and subsequently marches toward the countryside. This is why Marx stated that

65 *Ibid.*

66 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 18, 1996; PCB’s bolding.

67 UOC(MLM), *Programa para la Revolución en Colombia* [Program for the Revolution in Colombia], 2015; PCB’s bolding.

fertility and location are two factors **“independent of capital.”**⁶⁸

Differentiation in the economic fertility of the soil and its limitations form part of the objective basis of capitalist land-rent, but they are not particularities, since these factors also operate in different ways depending on the mode of production. Since the dawn of mankind, the most fertile and most conveniently-located land (land in close proximity to rivers, for example) have been decisive economic factors in production. It is important to understand how these factors operate under capitalist production—*i.e.*, their particularities—in order to grasp the *Marrxist theory of land-rent*.

Moving on with their explanation, the UOC(MLM) states that:

“...differential rent is an extraordinary profit which does not emerge as a quality of the land itself, but from its utilization by capital. **It is capitalist rent that springs from the exploitation of wage-labor in agriculture.**”⁶⁹

Here, the UOC(MLM) corrects their previous statement about the “emergence” of rent, but they are

68 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 941: “Where the price of land, which is nothing but capitalized rent, is an element assumed in advance, and the rent seems to exist independently of any differentiation in the land’s fertility and location – precisely here, in this form, it is to be assumed in the average case that there is no absolute rent, *i.e.* that the worst soil does not pay any rent; for absolute rent assumes either a realized excess value of the product above its price of production or an excess monopoly price for the product above its value.”; PCB’s bolding. [The quotation in the main document appears to be a paraphrasing on the part of the PCB. —*Trans.*]

69 UOC(MLM), *Programa para la Revolución en Colombia* [Program for the Revolution in Colombia], 2015; PCB’s bolding.

still incorrect in that rent emerges from the exploitation of wage-labor in agriculture. Wage-labor in agriculture, one of the foundations of capitalist production, accounts for the extraction of *surplus-value* in the countryside, but in no way, shape, or form does it account for capitalist land-rent. Capitalist land-rent does not consist of *surplus-value* in general, but of a branch of it that benefits the landowner; it is that which the landowner extracts from the capitalist and not directly from the agricultural laborer. In other words, the agricultural capitalist pays rent to the landowner using part of the (social) *surplus-value* extracted by the bourgeoisie in general from the workers of the city and the countryside; this constitutes a particularity which requires explanation. According to Marx, the explanation for capitalist land-rent mustn't be confused with the explanation for *surplus-value* in general:

“The whole **difficulty in analyzing rent thus consisted in explaining the excess of agricultural profit over average profit**; not surplus-value as such, **but rather the extra surplus-value specific to this sphere of production...**”⁷⁰

The UOC(MLM) leadership, well-aware that capitalist land-rent consists of excess of agricultural profit over average profit, even admits that:

“The capitalist relations of production that have developed in Colombian agriculture have **given rise to an excess of agricultural profit over average profit**. This excess is ground-rent. In appearance, rent emerges from the land itself, as if owing to an inherent quality of the land.”⁷¹

70 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 918; PCB's bolding.

Correct. Capitalist land-rent consists of the excess of agricultural profit over average profit. This is what Marx said. But the UOC(MLM) claims that, in Colombian agriculture, capitalist relations of production gave rise to this excess; they assume what they should demonstrate in their conclusion. They must answer the following economic questions: Does peasant production in Colombia draw average capitalist profit? Does rent paid by the Colombian peasantry to the landowners constitute excess value over this average profit? In order to answer these concrete questions, it is necessary to theoretically explain the mechanism that enables this excess profit in agricultural production over the average profit, and why this surplus is appropriated by the landowner instead of the capitalist who exploits the farmland. But the UOC(MLM) cannot do this, since they proceed from two critical errors: First, they believe that rent **“emerges”** from the differences in fertility and soil limitations, as previously stated; second, they believe that rent arises directly and exclusively from the wage-labor system of the agricultural laborers.

The complexity of the question of capitalist land-rent lies in the fact that it is the result of the capitalist modes of production, exchange, and distribution. That is why Marx only addressed it in Volume 3 of *Capital*, because it was here that he studied the relationship between these two aspects of capital: production and exchange, as well as the distribution of *surplus-value* arising from this contradiction. Thus, differential fertility and soil limitations are particular factors of agricultural production. But they are not enough to explain capitalist rent, because capitalist rent is also shaped by the general

71 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 18, 1996; PCB's bolding.

rate of profit, or average profit (distribution of surplus-value); and by a particular law of the capitalist accumulation of agricultural commodities: the market price of these commodities is regulated by the price of production of the poorest farmland. The *Marxist theory of capitalist land-rent* requires an understanding of three spheres of political economy: production, exchange, and distribution. In production, relations of exploitation, differential fertility, and soil limitations; in exchange, the worst soil determining market price; in distribution, the relationship between average profit and capitalist agricultural production.

2.1. The Marxist Theory of Capitalist Land-Rent

Marx emphasized that all land-rent, *i.e.*, all payment for the usage of land, or all value received exclusively from ownership of a portion of the planet, constitutes a part of the surplus-labor produced by society. In this sense, land-rent under the slave, feudal, and capitalist modes of production constitute(d) part of surplus-labor. The particularity of capitalist land-rent is that it constitutes part of this surplus-labor over and above the average profit drawn by the bourgeoisie. Therefore, Marx said: “All ground-rent is surplus-value, the product of surplus-labor... Hence the error that **the rent corresponding to the capitalist mode of production, which is always an excess over and above profit...**”⁷² Under capitalism, surplus-labor is *surplus-value*. Therefore, capitalist land-rent is a particular branch of the social *surplus-value* appropriated by the landowner. And the landowner appropriates this portion of surplus-

72 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 773; PCB's bolding.

value solely because he owns portions of the land, whether inherited, conquered, or purchased, but not the product of human labor like the other means of production (tools, machinery, *etc.*). Marx highlighted this power of the landowner to appropriate part of the social *surplus-value*:

“What is peculiar is that with the conditions in which the agricultural products develop as values (commodities), and with the conditions of realization of their values, **landed property also develops the power to appropriate a growing part of these values created without its assistance**, and a growing part of the surplus-value is transformed into ground-rent.”⁷³

Marx also stressed:

“**Rent then forms a part of the value of commodities, in particular of their surplus-value, which simply accrues to the landowners who extract it from the capitalists**, instead of to the capitalist class who have extracted it from the workers.”⁷⁴

In sum, Marx showed that, under the capitalist mode of production, all social *surplus-value* is extracted by the capitalists (in agriculture and industry) through the exploitation of the workers of the city and the countryside; capitalist land-rent is part of this social *surplus-value* which the landowners ***extract from the capitalists***. Thus, under capitalism, landownership possesses ***the power to appropriate a part of the surplus-value which was created without assistance from the landowner***. It is this process of the extraction by the landowners of part of the *surplus-value* of the

73 *Ibid.*, p. 778; PCB's bolding.

74 *Ibid.*, p. 906; PCB's bolding.

capitalists that Marx exposed with his magnificent theory of land-rent.

One of the theoretical challenges faced by the *Marxist theory of land-rent* is maintaining consistency with the fundamental premise of scientific political economy: *the law of value*. This law, initially formulated by classical political economists, mainly by Smith and Ricardo, stipulates that only human labor is capable of creating new value. However, based on this premise, how could one explain the empirical phenomenon of the market value of agricultural production covering rent for the landowner, in addition to securing profit for the tenant-capitalist and wages for the agricultural laborer? If, according to the *law of value* and the law of *free competition*, capitalists' profits and workers' wages tend to converge at the same average, how can one explain the surplus-value of agricultural commodities without uprooting the main theoretical basis of classical political economy? The matter was correctly framed by the bourgeois classics: We need to explain land-rent paid to the landowner without employing the deceptive theoretical explanation that agricultural commodities are sold for a price higher than their value. Although it had framed the problem correctly, bourgeois political economy proved incapable of solving it, because to do so, they would need to have demystified the question of *surplus-value*; thus, it was only with the *theory of surplus-value*, formulated entirely by the proletariat, that capitalist land-rent could be explained in a manner consistent with the *law of value*. This great task, as we all know, fell to the titan of thought and action, the founder of Communism, Karl Marx.

In bourgeois political economy, Ricardo made the most significant progress toward resolving this theoretical problem. According to his thesis of the theory of value, all additional value created throughout the productive process is the result of only two factors: capital and labor. However, this newly-created value is divided into profit, wages, and landowner rent. Land-rent, according to Ricardo's theory, is correctly seen as part of the value distributed only in the sphere of distribution. In other words, according to Ricardo, the landowner plays no part in the process of production of extra value, but he does play a part in the distribution of the new wealth thus produced. How, then, does Ricardo explain the existence of this land-rent while coherently arguing that agricultural commodities being sold for a price equal to their value yield extra revenue for the landowners?

According to Ricardo, the social value of commodities, whether industrial or agricultural, are always determined by the poorest production conditions. In other words, if, in the course of competition, it becomes necessary for manufacturers A, B, C, and D to produce commodities to satisfy the needs of the consumer market, the value of these commodities will always be determined by the necessary labor time expended under the poorest production conditions, *i. e.*, for the longest amount of time. Based on this, Ricardo assumed that producers whose individual values constitute less than the social value will draw excess profit. In industry, competition among capital tends to eliminate this excess profit. In agriculture, a similar process of production optimization occurs; but since land is the primary factor of production, the difference in soil fertility serves as a persistent barrier to equalizing production conditions with those of the most fertile soil.

In other words, soil that is less fertile will invariably require more capital or more labor to meet the same productivity as soil that is more fertile.

But, according to Ricardo, the worst production conditions invariably determine the social value of a commodity, and, in the case of agriculture on the worst soil, capitalist land-rent can be explained only by the relative difference in soil fertility. According to Ricardo's theory of rent, the social value of an agriculture commodity is determined by the labor time expended on production on the worst soils. The capitalist who produces under these conditions, as with all the others, enjoys the same rate of profit as his competitors. But as his competitors exploit more fertile soil, even while employing the same amount of capital and labor, they will enjoy greater production of commodities. For example, they will yield twice the amount of wheat that the capitalist on poorer soil does. All the wheat, whether from the worst soil or the richest, is sold at the same market price, which, according to Ricardo, is invariably determined by the poorest production conditions. Thus, the capitalist with the richest soil draws twice as much value as his competitor with the worst soil, because the former can sell twice as much wheat as the latter. But he does not retain the surplus-value. What would otherwise constitute surplus-profit from more favorable production conditions is extracted by the landowner, who retains this value in the form of land-rent in exchange for leasing this farmland to the tenant-capitalist. This is how Ricardo explained the existence of rent for the landowner without contradicting the foundations of the *law of value*, which governs even when commodities are sold for a price equal to their social value.

The most evident logical flaw with Ricardo's theory is that it implies that the owner of the poorest farmland would not charge rent for its use. If he did, this theory would fall apart. The value of a commodity produced on the worst soil determines its price on the market. If the landowner charges rent, the market price will be: value + rent of the worst soil. Thus, the price would be higher than its value. If rent was charged for the worst soil, capitalist land-rent could not be explained by the *law of value*. The practical issue is that landowners of the poorest farmland do charge rent to produce on their properties. As Marx said: "*The fact that the farmer could valorize his capital at the customary profit if he paid no rent is in no way a reason for the landlord to lease out his land...*"⁷⁵ Although Ricardo made progress in reaching this explanation, he could not solve the problem. Circumventing and abstracting the circumstances of rent of the worst soil does not solve the problem. On the contrary, it impedes its resolution.

According to Marx, the virtue of Ricardo's theory of rent lies in the fact that it laid the foundations for differential rent, but one of its main limitations is that it denies the possibility of absolute rent, *i. e.*, rent realized from the poorest farmland. Ricardo could not answer this question because of the limitations of his theory of value. When Marx transcended these limits, he easily answered the question of rent realized from the worst soil. Marx commented on this question posed by classical political economists in an 1862 letter to Engels:

"All I have to prove theoretically is the possibility of **absolute rent, without infringing the law of value**. This is the

75 *Ibid.*, p. 884; PCB's bolding.

point round which the theoretical controversy has revolved from the time of the physiocrats until the present day. Ricardo denies that possibility; I maintain it. I likewise maintain that his denial rests on a **theoretically false dogma** deriving from [Adam] Smith—the **supposed identity of cost prices and values of commodities.**⁷⁶

Using the *theory of surplus-value*, Marx was able to resolve the theoretically false dogma of Smith's and Ricardo's theses of the *law of value*. In formulating the distribution of *surplus-value* based on the *general rate of profit*, Marx demonstrated how commodities in general are sold at market prices distinct from their intrinsic values. That is, in contrast to Smith's and Ricardo's assumptions, commodities from the same branch of production are not always sold at prices equal to their values. Marx demonstrated that value and price can be identified only when looking at all the branches of production of society. It is only under these circumstances that the prices of commodities correspond directly to the value of this aggregate. When each productive branch is examined separately, this absolute identity between price and value is nowhere to be found.

Marx' development of the law of value borrowed from classical economics answered a slew of questions left unanswered by the followers of Smith and Ricardo, including the question of land-rent on the worst soil. In the first three volumes of *Capital*, Marx theoretically traced the historical process of the transformation of commodity value into production price, and of production price into market price. He demonstrated how the value of constant capital is reproduced in terms of commodity value; that new value, the product of live

76 Karl Marx, Frederick Engels, *Collected Works*, Lawrence & Wishart, 2010, Vol. 41, p. 403; PCB's bolding.

human labor, is divided into wages (variable capital) and *surplus-value*. He thus demonstrated that this *surplus-value* is “transformed” into profit and how, from the point of view of the capitalist, profit is value that exceeds cost-price. He explained that the cost-price of a commodity is equal to the constant capital effectively expended on its production; (raw materials + depreciation of machinery) + variable capital (wages). He explained that profit is all that which exceeds this cost-price. Thus, a capitalist can draw a profit even if he sells his commodities below their value, thereby realizing only part of the *surplus-value* intrinsic to the commodities, with the other part being distributed among the capitalists of other branches of production.

Grasping the process of the distribution of *surplus-value* is, therefore, necessary for grasping the *Marxist theory of capitalist land-rent*. In analyzing the process of capitalist production in Volume 1 of *Capital*, Marx abstracted the effects of exchange; he considered the profit of a commodity equal to the *surplus-value* contained within it. This is key to exposing how all capital is the product of *unpaid labor*. However, in studying the entire process of capitalist production, *i. e.*, in considering the relationship between production and exchange, Marx showed how this identity between *profit and surplus-value* is non-immediate. That is, it still exists, the aggregate of profit is equal to the aggregate of produced surplus-value, but this identity is not governed by the general rate of profit, which distributes this aggregate of social surplus-value among the capitalists, initially in accordance with the magnitude of the capital of each.

Marx argued that if this were not the case, the result would be a different sort of incompatibility

between economic theory and reality. Ultimately, if the *produced surplus-value* were identical to *appropriated surplus-value* (profit), we would arrive at the conclusion that branches of production that enjoy greater mechanization and a greater quantity of constant capital in relation to variable capital would draw less profit. For instance, in a branch of production whose ratio of constant capital to variable capital is $90c + 10v$, with a *rate of surplus-value* of 100%, the value of a commodity would be 110. If this commodity was sold for a market price of 110, *i.e.*, with an immediate match between price and value, the profit of the capitalists of this branch of production would be 10%. On the other hand, for a capitalist whose organic composition of capital is distributed at a proportion of $70c + 30v$ with a *rate of surplus-value* of 100%, the value of the commodity would be 130. If the market price of this commodity was equal to its individual value, the profit would be 30%. This would lead to the absurd conclusion that profit is greater in less-mechanized branches of production than in more modern industry. And this would be only one of many absurd results incongruous with reality. Such are the errors of the *law of value* as formulated by Smith and Ricardo.

As we saw earlier, Marx demonstrated that *free competition* among capital in different branches of production tends to constitute a *general rate of profit* in a given society. Thus, he demonstrated that profit exists independent of the organic composition of capital. The previously-examined average profit is constituted alongside the *general rate of profit*, with the former corresponding to all capital in proportion to its magnitude. The general rate of profit, therefore, proportionally distributes *social surplus-value* to the

different branches of production. Therefore, commodities produced with a higher organic composition (as in the above example, 90c/10v) are sold for a price of production greater than their intrinsic values. Meanwhile, commodities produced with a lower organic composition (like 70c/30v) are sold for a price of production less than their intrinsic values.

In developing the *law of value*, of the relationship between value and price of production, and of the relationship between *surplus-value* and *average profit*, Marx was able to answer the basic question of drafting a theory of land-rent that does not contradict this fundamental law of political economy. He thereby successfully explained both *differential rent* and *rent of the worst soil*, i.e., *absolute rent*. Marx demonstrated that, as a result of the establishment of the market price of an agricultural commodity, competing producers who operate under the greatest conditions, i.e., on the most fertile soil, will draw an individual price of production lower than market price. This difference, this excess profit, which, in industry, is accrued by the capitalist, becomes land-rent in agriculture. In this case, it is differential rent, which was explained in general terms by Ricardo.

As Marx demonstrated, the market price of agricultural commodities is lower than their intrinsic value, because their organic composition is lower than the social average. Thus, this market price may be slightly above the individual price of production on the worst soil, but still less than its intrinsic value. Using the distribution of *surplus-value*, Marx was able to successfully explain the real existence of *land-rent on the worst soil* without contradicting the *law of value*. Classical political economy was unable to answer this

question, because it was shackled to the dogma that said that the price of each and every commodity corresponded directly to its value. Marx, developing the law of value formulated by Smith and Ricardo, proved that the identity between the price and value of a commodity is non-immediate, but is governed by the distribution of surplus-value according to the organic composition of capital in different branches of production in industry. This is the basic theoretical foundation for the Marxist theory of *absolute rent*.

Considering the above data to further illustrate the theory, capital in industry is distributed among different branches of production whose organic compositions vary in the following ways: Branch I: $90c + 10v$; Branch II: $80c + 20v$; and Branch III: $70c + 30v$. Let's say that, in agriculture, the composition is as follows: $60c + 40v$.⁷⁷ But, according to Marx, surplus-value generated in agriculture and in the extractive industry does not play a part in the formation of the *general theory of profit*, since, as we will see, *absolute rent* is formed from this surplus-value. According to Marx, the *general rate of profit* is constituted exclusively from among the branches of industry. Let's proceed from this example: For the same rate of *surplus-value* (m') of 100%, the surplus-value (m) produced in Branch I would equal $10m$ ($m = v(m') = 10(100\%) = 10$); in Branch II, it would equal $20m$; and in Branch III, it would equal $30m$. The total value ($c + v + m$) produced in the industry would equal: 110 (Branch I) + 120 (Branch II) + 130 (Branch III) = 360 . The total surplus-value produced by the industry would equal $10m + 20m + 30m = 60m$. Since surplus-value is not immediately realized by each branch, but is

⁷⁷ I believe this is a typo in the Spanish edition, and is supposed to say $60c + 40v$. — *Trans.*

distributed among these branches, there would be 20m of the total social surplus-value for each branch. Therefore, any capital of 100, regardless of its organic composition and of the surplus-value immediately extracted by it, draws a profit of 20. Therefore, the average rate of profit determined in industry would be 20%.

However, capitalist land-rent constitutes a *particular branch* of surplus-value. Under the capitalist mode of production, the landowners draw this part of social surplus-value without taking part in the productive process, neither with capital nor labor. The particular condition that secures this power for the landowner is the constitution of the main economic factors of the branches of agriculture and extractive industry by natural forces that are able to be monopolized. This monopoly allows the landowners to charge rent for [the land's] use. The higher the rent, the lower the average rate of profit in a society will be.

In order to better grasp this particular form of the distribution of surplus-value, we must separately analyze agricultural production. This will help us understand the Marxist theory of *differential* and *absolute rent*.

Let's start out with differential rent. Let's say that two competing agrarian capitalists apply the same amount of capital to the same parcel but with land of differing quality. Both apply 100 units of capital divided into 60c + 40v. This organic composition is less than the average composition of the industry (80c/20v). The capitalist on Land A uses his 100 units of capital to produce 60kg⁷⁸ of wheat. Meanwhile, the capitalist on Land B uses the same magnitude of capital to produce 120kg⁷⁹ of wheat. The cost-price of the two capitalists is

78 About 132lbs.

79 About 265lbs.

the same, 100 (60 with constant capital and 40 with wages); the difference lies in the fact that the capitalist with better soil produces 120kg of wheat, while the capitalist with poorer soil produces only 60kg. But, as we saw earlier, under capitalist agriculture, the price of production on the poorest soil determines market price. According to Marx, the price of production on the worst soil is cost-price + average profit = $(60c + 40v) + 20m = 120$. Therefore, each 60kg bag of wheat, regardless of whether it was produced on the best or worst soil, will command a price of 120. The capitalist on the worst soil draws an average profit of 20 by selling his 60kg bag of wheat for 120, and he is quite satisfied with this result because it ensures the average rate of profit in a society. Still, he would not pay rent to the owner of the worst soil, which will become clearer later on when we discuss absolute rent.

On Land B, which has more fertile soil, the economic results would be different. On this soil, the capitalist, investing the same amount of capital and labor ($60c + 40v$), produces 120kg of wheat. His cost-price for each 60kg bag of wheat would equal $100/2 = 50$. But since the market price is established based on the production price on the worst soil, he would sell each bag for 120 and receive 240 for the two bags. With an invested capital of 100, he would draw a total profit of 140. Why this excess profit? It was not the result of any new method of exploitation of agriculture, or of the further exploitation of his workers (if we assume the same *rate of surplus-value* for both factors). The reason for this excess is that more naturally-fertile soil allowed him to produce twice as much wheat as was produced on the poorer soil, despite the same investment of capital and labor.

However, this naturally-fertile soil constitutes a natural force that is monopolized by the landowner of the better land, Land B, who charges rent, for example, of 120, to the capitalist in exchange for the use of his land. Thus, rent is deducted from the total profit drawn from the sale of the two bags of wheat produced by Capitalist B; $140 - 120 = 20$. Therefore, the capitalist that produces on Land B receives the exact same amount of profit as the capitalist producing on the worst soil, which is the average profit determined by industry, as per our example.

This land-rent received by the landowner of the best soil constitutes differential rent. **According to Marx, differential rent is equal to the difference between the price of individual production and the market price, which is the price of production on the parcel with the poorest farmland.**

But what about absolute rent?

As we have seen, the landowner of the worst soil, Land A, will also charge rent. Marx faced this practical problem head-on in his theory, unlike Ricardo. According to Marx, in the above example, rent of the worst soil could fetch a value of 15 without breaking the *law of value*. Let's take a look: The price of production on the worst soil is $(60c + 40v) + 20m$. If rent is 20, the market price would be $120 + 20 = 140$. In this case, rent from the worst soil and the price of the agricultural commodity would not exceed its intrinsic value of 140. Marx, therefore, succeeded in demonstrating the existence of land-rent from the worst soil without breaking the *law of value*. In order for the capitalist who produces on the worst soil to be able to deliver a rent of 20 to the landowner of Land A, the market price must rise from 120 to 140. This rise in the market price

also benefits the landowner of Land B, who begins to charge a rent of $120 + 20$. Therefore, land-rent for the worst soil is absolute rent, since it is received by all the landowners under capitalist agriculture. Differential rent, on the other hand, is relative, since it varies according to the relative fertility of the soil. The landowner of the worst soil receives only absolute rent, while the landowner of the most fertile land receives differential rent + absolute rent.

From the economic perspective, then, agricultural commodities become an exception to the rule: They are the only commodities whose market prices are higher than their prices of production. This constitutes a sort of monopoly over these branches of the economy. But, as Marx stressed, this is not a "*monopoly in the proper sense*," as is the case with commodities of lesser organic composition that are sold for a market price higher than their value. Marx's theory of land-rent, therefore, succeeds in explaining rent for all landowners, of both the most fertile soil and the worst soil, without breaking the law of value or the law of free competition.

According to Marx, the fact that commodities produced in branches of production with greater organic composition are sold for a price higher than their intrinsic value in order to appropriate part of the surplus-value produced in the other branches does not constitute a terminological contradiction [*contrasentido*]. As Marx demonstrated, these branches require greater accumulation and concentration of capital, and, as a result, dominate the economy as a whole. In receiving their share of *surplus-value* through the *general rate of profit*, they receive their share of capitalist production. It would, however, constitute a terminological contradiction if the capitalists of

agriculture and extractive industry, whose organic compositions were below average, were to sell their commodities for a market price higher than their intrinsic values. If this were to happen, it would imply the domination of industry by agriculture, but, in practice, the opposite is true under capitalism.

As we saw above, *monopoly price* itself is one of the characteristics of imperialism. We saw how Lenin pointed this out in his example of the cartelized production of sugar in the United States. In this case, the agricultural commodity is sold for a market price higher than its value; the difference between its market price and its value constitutes a particular form of rent under imperialism, which is different from *absolute rent* as studied by Marx. In Lenin's example, it is not a matter of the eccentric domination of the Yankee economy by the sugar producers. It is a matter of the domination of society by finance-capital, which, in imposing this *monopoly price*, in proper terms, extracts part of the social tribute from society, which constitutes maximum profit.

In Marx's thesis, there are different questions that need to be answered for their correct assimilation and application to concrete conditions. Although Marx advanced Ricardo's theses in several respects while developing his own *theory of differential and absolute rent*, Marx maintained his correct positions on capitalist production in agriculture, which are: 1) The same amount of capital and labor invested in different soil on the same area of land produce different results; 2) Capitalists who invest this capital must reach the *general rate of profit* determined by industrial production; 3) The price of production on the worst soil determines market price. In other words, according to

Marx, differential rent does not “**emerge**” solely from differences in soil fertility, as the UOC(MLM) leadership believes it does. It also depends upon the average profit drawn by tenants on all lands, with the market price established by the price of production on the worst soil. Marx said that the price of production on the worst soil is the “**basis of differential rent.**”⁸⁰ To grasp Marx’ theory, it is, therefore, necessary to grasp the question: Why, in the pure form of capitalist land-rent, does the price of production of the worst soil determine the market price?

As we saw earlier, according to Ricardo, the worst conditions of production always determine the social value of a commodity, and there is an immediate identity between the price and value of a commodity. In Volume 1 of *Capital*, Marx demonstrated that average conditions are responsible for establishing the socially-necessary labor time for the production of a commodity. According to Marx, this law is valid for both industrial production and agricultural production, but this law operates in a specific way under agricultural production, which plays a particularly important role in the *Marxist theory of rent*.

The same competition that exists among manufacturers of the same product in industry exists in capitalist agriculture as well. All capitalist producers of, for example, wheat, compete among themselves and seek to minimize the cost-price of their product, either by reducing the value of constant capital invested (seeds, tractors, etc.) or by maximizing the exploitation of their laborers. A capitalist who succeeds in reducing the cost of wheat production, for example, by employing a new method of seeding, will lower the individual value of his

80 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 872; PCB’s bolding.

product below the average social value of all the producers. He will, therefore, draw extra profit, the same as in industry. As we saw, competition drives all capitalist producers toward the most rational methods of production and increased exploitation. This leads to an equalization of socially-necessary labor time. Individual values tend to converge at the same value, and excess profit tends to disappear. The commodity thus becomes cheaper.

But a particularity of agriculture and extractive industry prevents, to an extent, this equalization of individual values, as well as the tendency to suppress excess profit. In agriculture, land is the *principal element of production*. In extractive industry, land is the *principal reserve of use-value*. A new method of production or a new form of the intensification of labor can both be generalized and utilized by competing capitalists. But a deposit of oil in subsoil is not a condition of production that can be generalized. Private ownership of this source necessarily prevents other competitors from exploiting it. The capitalist who does exploit this source will, therefore, enjoy far lower production costs than the capitalist who exploits resources from the worst soil, such as oil deposits encrusted in bedrock.⁸¹ This difference in soil fertility cannot be generalized. It thus constitutes a natural force that can be, and is, monopolized by the landowner. As we have pointed out, under the capitalist mode of production, the monopolization of these natural forces

81 Bedrock is the bottommost layer of soil composed of igneous and/or metamorphic rock. The extraction of oil from deposits in bedrock, therefore, requires specialized equipment and techniques, unlike extraction from layers of soil closer to the surface. — *Trans.*

allows the landowners to extract a part of the *surplus-value* which would otherwise belong to the capitalists.

These two conditions—a natural force that can be monopolized, and the need for average profit—mean that the price of production of the worst soil determines market price in agriculture and extractive industry, unlike in manufacturing. Continuing with the above example of two capitalists producing on Land A (with less fertility) and Land B (with greater fertility): Capitalist A will only plant wheat on Plantation A if he can draw the average profit; the landowner of Plantation B will only lease out the land if he draws additional profit in the form of land-rent (in this case, differential rent) afforded to him by the natural forces of his land. Meanwhile, the landowner of Land A is satisfied with absolute rent, which is constituted by the maximum difference between the price of production on this worse soil and the intrinsic value of the commodity. These are the basic conditions for capitalist production in agriculture—all landowners demand rent in exchange for the exploitation of their land, rents which can vary in value based on the economic fertility of the land; whereas all tenants demand *average profit*.

As Marx pointed out, in order for the worst soil to be exploited, the market price of, for example, wheat, must be raised to a point at which the capitalist tenant who cultivates the wheat can draw average profit, and the landowner receives rent, however small it may be. Therefore, under purely-capitalist conditions, the price of production on the worst soil will always be the factor that regulates the market in agriculture and extractive industry. But this regulation by the worst soil does not only imply the excess valorization of absolute rent; it also implies the artificial valorization of commodities from the

most fertile land. This is what Marx refers to as “false social value.” Let’s take a look:

“In connection with differential rent in general, it should be noted that the market value is always above the total production price for the overall quantity produced. Let us take Table I for instance. The total product of 10 qrs is sold for 600s., since **the market price is determined by the production price of A, which comes to 60s. per qr.** The actual production price, however, is:

Table I

Area	Quarters = Price of production per area	Quarter = Real price of production per quarter
A	1 qr = 60s.	1 qr = 60s.
B	2 qrs = 60s.	1 qr = 30s.
C	3 qrs = 60s.	1 qr = 20s.
D	4 qrs = 60s.	1 qr = 15s.
Total	10 qrs = 240s.	1 qr = 24s.

The real production price of the 10 qrs is 240s.; they are sold for 600s., 250 per cent too much. The real average price for 1 qr is 24s.; the market price 60s., similarly 250 per cent too much. This is determination by a market value brought about by competition on the basis of the capitalist mode of production; it is competition that **produces a false social value.** This results from the **law of market value to which agricultural products are subjected.** The determination of the market value of products, *i.e.* also of products of the soil, is a social act, even if performed by society unconsciously and unintentionally, and **it is based necessarily**

on the exchange-value of the product and not on the soil and the differences in its fertility.”⁸²

In other words, production on the four areas (A, B, C, and D), each cultivated by a different capitalist tenant, equals a total of 10 *quarters* of wheat. The production price of the worst soil is 60 *shillings* per *quarter*. The cost-price (constant capital + variable capital) equals 50 *shillings*. Average profit equals 10 *shillings*, which corresponds to a general rate of 20%. If the market price falls below 60 *shillings* per *quarter*, the capitalist who produces on Area A will not draw average profit, at which point only 10 *quarters* will be available on the market, should it reach this level. However, the greater the difference in fertility between the most and least fertile soil that regulates the market, the greater the differential rent received by the most fertile soil. This phenomenon, governed by the “law of market value,” to which agricultural products are subjected, means that society must pay a market price far higher than the real average production price of each *quarter* of wheat. Under these conditions, society pays 60 *shillings* for each *quarter*, while the real average of the prices of production for each *quarter* is only 24 *shillings*. As Marx pointed out, this difference of 600 to 240 *shillings* for 10 *quarters* of wheat, *i.e.*, this value of 260 *shillings*, constitutes the excess value paid by society to the landowners in the form of differential rent. And, as Marx emphasized, this value does not **“emerge”** from the differences in soil fertility, but is based on the law which regulates the *exchange-value* of agricultural products,

82 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 799; PCB’s bolding; PCB’s column labels.

the law which determines that the worst soil regulates the market price.

This irrational behavior of the market prices of agricultural products is a reflection of the irrationality of private landownership under the capitalist mode of production. The ownership of a means of production that is not the product of labor enables its owner to appropriate part of the *social surplus-value* without participating in any part of the productive process. Private landownership and the need for *average profit* means that society pays more for each quarter of wheat and sustains the parasitic big landowner class, as seen in the above example. As Marx analyzed, this situation is not inherent to agricultural production, but aligns with its capitalist exploitation:

“If we imagine that the capitalist form of society has been abolished and that society has been organized as a conscious association working according to a plan, the 10 qrs represent a quantity of autonomous labor-time equal to that contained in 240s. Society would therefore not purchase this product at 2½ times the actual labor-time contained in it; **the basis for a class of landowners would thereby disappear...** The fact that commodities of the same kind have an identical market price is the way in which the social character of value is realized on the basis of the capitalist mode of production, and in general of production depending on commodity exchange between individuals. Where society, considered as a consumer, pays too much for agricultural products, this is **a minus for the realization of its labor-time in agricultural production, but it forms a plus for one portion of society, the landowners.**”⁸³

Big landowners and capitalist production lead to irrational phenomena in agricultural production like false

83 *Ibid.*, p. 799-800; PCB’s bolding.

social value. This situation, which, to a certain extent, contradicts the fundamentals of the capitalist mode of production, is in part due the historical content of landownership, brought to our attention by Marx:

“From the standpoint of capitalist production, capital property does in fact appear as the ‘original’ because capitalist production is based on this sort of property and it is a factor of and fulfills a function in capitalist production; **this does not hold good of landed property**. The latter appears as derivative, because modern landed property is **in fact feudal property, but transformed by the action of capital upon it**; in its form as modern landed property it is therefore derived from, and the result of capitalist production.”⁸⁴

Therefore, nationalization of land, as Marx and Lenin explained, is an attempt by the bourgeoisie to push back against this feudal irrationality from which its modern form has developed. As Marx said:

“Only this much is correct: Assuming the capitalist mode of production, then the capitalist is not only a necessary functionary, but the dominating functionary in production. **The landowner, on the other hand, is quite superfluous in this mode of production**. Its only requirement is that land should not be common property, that it should confront the working class as a condition of production, not belonging to it, and the purpose is completely fulfilled if it becomes state-property, *i. e.*, if the state draws the rent. The landowner, such an important functionary in production in the ancient world and in the Middle Ages, is a useless superfetation in the industrial world. The radical bourgeois (with an eye moreover to **the suppression of all other taxes**) therefore goes forward theoretically to **a refutation of the private ownership of the land**, which, in the form of state

84 Karl Marx, *Theories of Surplus-Value*, Progress Publishers, Moscow, 1968, Part 2, p. 153.

property, he would like to turn into the common property of the bourgeois class, of capital.”⁸⁵

If the bourgeoisie does not have the guts to refute private landownership in the imperialist countries, this does not mean that it will shy away from refuting it in the colonial and semi-colonial countries, to its own benefit. The imperialist bourgeoisie thus suppresses land-rent in the oppressed countries, or appropriates it in accordance with the conditions. After all, it is inconceivable for finance-capital to provide this false social value to the big landowners in the colonial and semi-colonial countries, or to provide the tribute represented by *absolute rent*—as a market price exceeding the price of production on the worst soil—to the landowners of the oppressed countries. Likewise, it is inconceivable to deduce that the big bourgeoisie of the colonial and semi-colonial countries is ready and willing to provide *average profit*, as well as excess profit, to the small owner-peasants.

It is well-known that the exploitation of the mineral wealth of the colonial and semi-colonial countries, the export of their agricultural commodities, and their peasant production has not generated excess profit for these nations or for their peasantry. This would appear to contradict the Marxist theory of capitalist land-rent, but there is, in fact, no such contradiction. Marx comprehensively solved the problem of the laws of capitalist land-rent; therefore, what we see is not the violation of such laws, but their articulation [*explicitación*] in the context of semi-colonial mining and agricultural production, distinct from the pure, or classical, form of land-rent in 19th century England. A thorough understanding of the theory of capitalist land-

85 *Ibid.*, p. 44; PCB's bolding.

rent is key to understanding the ways in which finance-capital imposes non-capitalist forms of rent upon the oppressed nations and their peasant masses. Grasping this theory is fundamental to understanding the international significance of the evolution of the forms of semi-feudal relations of production under imperialism. Without grasping this, it is impossible to both precisely analyze the relationship between the fundamental contradictions in the world today, and to identify which contradiction is principal. Marx himself is the progenitor of what the UOC(MLM) refers to as the theory of semi-feudalism; for it was the founder of Communism who proved to us that peasant production and semi-colonial production do not bring about capitalist land-rent. A distorted understanding of the Marxist theory of land-rent can lead only to absurd conclusions like the existence of a “capitalist peasant-landowner,” and it can never demystify the actual phenomena and functioning of land-rent under imperialism.

2.2. Marx’ Analysis of Land-Rent of the Peasantry in General and of the Big Landowners in the Colonial and Semi-Colonial Countries

Before proceeding with our analysis of the functioning of land-rent in the imperialist era, it is necessary to return to Marx’ study of land-rent of the peasantry and of large-scale land production in the colonial and semi-colonial countries under the *free competition* stage of capitalism. Marx never went as far as formulating a complete theory of feudal or semi-feudal land-rent, nor of how it functions in the context of semi-colonial production subjected to the capitalist world market. He did, however, stress that these modalities do

not constitute capitalist forms of land-rent. In doing so, he brilliantly laid the theoretical groundwork that allow us to understand, on a deeper level, the development of the relations of production in the countryside and the relations of exploitation in the oppressed countries.

Anyone with a basic familiarity of the living conditions of the peasant masses in the colonial and semi-colonial countries knows that the economic relationship between these masses and the capitalist market does not concede to the principles of capitalist land-rent as established by Marx. Regardless of whether the peasantry are owners of small or medium parcels or they are "tenant-peasants" of the *latifundios*, it cannot be said that these "rural producers" draw the average profit to which they would be entitled as capitalists; nor do they draw excess profit (differential rent) as owners of more fertile lands; nor have they been able to command a market price higher than their price of production (absolute rent), as they could if they were owners of the worst soil. As quoted above, Marx demonstrated that the poor peasantry, even owners of the land, as a general rule, do not draw average profit, nor do they receive differential rent or absolute rent. Mostly, the fruits of their production only cover the value of the wage they would otherwise receive for an equal amount of work; and, in many cases, they don't even receive this.

We know that, in general, the owner-peasants own the worst soil. What would be the results if the laws of capitalist land-rent governed the peasant economy in a pure fashion? The peasantry's price of production (which includes average profit) would regulate the market price. Additionally, it would slightly exceed this value so that absolute rent can be provided to these smallholders. Anyone with basic knowledge of history and of the

countryside of the colonial and semi-colonial countries knows this not to be the case. As a general rule, the market price is always lower than the peasantry's price of production. When the peasants are able to sell their outputs, it barely covers the necessary expenditures. This condition imposes economic ruin upon the peasant masses. The forms used to manipulate these market prices vary, from marketing—where the peasants are forced to sell their products at excessively low prices because they are unable to transport them to the consumer markets—to competition with the *latifundio*, who are able to produce at much lower costs. All of these forms have the same result: The poor peasant does not draw average profit, nor does he receive differential rent or absolute rent. Thus, it is easy to understand that, in colonial and semi-colonial economies, it is not the price of production on the worst soil (which is generally owned or leased by the poor peasantry) that regulates the market price. An essential aspect necessary for the existence of capitalist land-rent is missing here. Therefore, peasant landownership implies non-capitalist relations of production. Lenin underscored Marx' conclusion that the peasantry do not receive absolute rent:

“Of course, the existence of small landed property, or, more correctly, of small farming, introduces **certain changes in the general propositions of the theory of capitalist rent**, but it does not destroy that theory. For example, **Marx points out that absolute rent as such does not usually exist under small farming**, which is carried on mainly to meet the needs of the farmer himself... But the more commodity production develops, the more all the propositions of economic theory become applicable to peasant farming also,

since it has come under the conditions of the capitalist world.”⁸⁶

This passage is very important. Here, Lenin precisely underlines the changes in the theory of land-rent, which is fundamental for all Communist Parties, especially those in the colonial and semi-colonial countries, to study. It is also very important because it highlights that, according to Marx, absolute rent generally does not exist for the peasantry. With regard to Lenin’s affirmation of the legitimacy of these laws under conditions of the development of the market economy, it is true that this is a general tendency of the *free competition* stage. However, over the course of capitalist development in the 20th century, this tendency underwent changes upon entering the era of monopoly-capitalism. Under imperialism, the peasant economy is always subject to monopoly-capital, and, in this way, it becomes impossible for the peasantry to impose a monopoly price for their production upon the bourgeoisie, imperialism, and the city in general; a monopoly price that would assure them absolute rent on the worst soil, at least. In order to survive, the peasantry is forced to accept only a return equal to wages for equal work, sometimes somewhat more, but often somewhat less. Chairman Mao said the following with regards to the peasant economy under imperialism:

“To serve the needs of its aggression, imperialism ruined the Chinese peasants by **exploiting them through the exchange of unequal values** and thereby created great masses

86 V. I. Lenin, “The Agrarian Program of Social-Democracy in the First Russian Revolution, 1905-1907,” *Collected Works*, Progress Publishers, Moscow, Vol. 13, p. 317; PCB’s bolding.

of poor peasants, numbering hundreds of millions and comprising 70 per cent of China's rural population."⁸⁷

In highlighting the "exchange of unequal values" imposed upon the Chinese peasantry by imperialism, Chairman Mao precisely pointed out one of the most common forms that finance-capital adopts in order to control market prices under imperialism. In doing so, it imposes upon the peasantry a monopoly price as such (*i.e.*, under which the market prices of industrial commodities, besides exceeding their values, also exceed the average profit they would otherwise draw). Thus, tools, machinery, fertilizers, agricultural chemicals, etc., are sold to the peasantry at monopoly prices, thereby raising the cost of smallholder production and preventing them from receiving *average profit*, *differential rent*, or *absolute rent*. As Chairman Mao emphasized, under imperialism, the laws that once governed the peasant economy as it became commercialized under *free competition* have not been sustained. In the colonial and semi-colonial countries, the more commercialized the peasant economy became, the further it was ruined. The situation is not complicated. What is complicated, theoretically speaking, is understanding the reason why the reproduction of this ruinous economy is necessary for monopoly-capitalism, the answer to which we will attempt to clarify later on.

Let's take a more detailed look at Marx' analysis of the reason why, under normal circumstances and under the *free competition* stage of capitalism, peasant property does not receive *absolute rent*:

87 Chairman Mao, "Cast Away Illusions, Prepare for Struggle," *Selected Works*, Foreign Languages Press, Peking, Vol. 4, p. 426; PCB's bolding.

“[P]recisely here, in this form, it is to be assumed in the average case that **there is no absolute rent**, *i.e.* that the worst soil does not pay any rent; **for absolute rent assumes either a realized excess value of the product above its price of production or an excess monopoly price for the product above its value**. But since the rural economy here is largely one of agriculture for immediate subsistence, with the land being an indispensable field of occupation for the labor and capital of the majority of the population, **the governing market price of the product only reaches its value under extraordinary conditions**”⁸⁸

As seen above, Marx, in developing and correcting the flaws of Ricardo’s theory of rent, proved that the existence of capitalist land-rent on the worst soil can exist without breaking the *law of value*. Since agriculture is a branch of production in which there exists an organic composition below the social average, the market prices of these commodities are below their values, but draws an *average profit*. Therefore, Marx demonstrated that *absolute rent*, in its maximum form, represents this difference between the intrinsic value of a commodity and its market price. In the passage above, Marx is saying that the market price of peasant production can reach intrinsic value only under extraordinary conditions; *i.e.*, that the peasantry only receives *absolute rent* in situations in which demand is much greater than supply. For example, when there is a great shortage of certain commodities. Under normal conditions, Marx asserted that there is no *absolute rent* for the peasantry.

88 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 941; PCB’s bolding.

In his *theory of land-rent*, Marx demonstrated that the worst soil is only exploited in a capitalist manner if its price of production regulates the market price. Therefore, if the demand for wheat, for example, is greater than its supply, all the highest-quality soil is producing at its peak, the capitalist will only expand production on the worst soil if the market price rises to a level at which he can draw *average profit* and at which he can pay rent to the landowner of the worst soil. Marx emphasized that this requirement does not exist for peasant production:

“The smallholding peasant’s exploitation is not limited by the average profit on capital, inasmuch as he is a small capitalist; nor by the need for a rent, inasmuch as he is a landowner. The only absolute barrier he faces as a petty capitalist is the wage that he pays himself, after deducting his actual expenses. He cultivates his land as long as the price of the product is sufficient for him to cover this wage; and he often does so down to a physical minimum.”⁸⁹

As long as market price satisfies the wages that the peasant pays himself, he will produce for the market. In other words, in contrast to capitalist production, the peasant cultivates on the worst soil even if he cannot draw a profit, and even if he does not receive rent, in cases where he owns the soil. With this in mind, it is important to draw the following conclusion: Even under *free competition*, the cost-price of the peasant does not regulate market price; what ultimately regulates market price is the worst soil cultivated for large-scale production. Therefore, when the peasantry has to compete with products from large-scale production, he must sell his goods at the market price established by

89 *Ibid.*, pp. 941-942; PCB’s bolding.

that production, *i.e.*, at a market price that prevents a sufficient profit. As Chairman Mao demonstrated, this market regulation is even less feasible under imperialism. Both *absolute rent* and the establishment of a *monopoly price* on agricultural commodities (like in Lenin's example of sugar prices in the United States at the beginning of the 20th century) are generally impossible for the peasant economy. As Marx pointed out:

“And these conditions [absolute rent and monopoly price] **obtain least of all in the case of the smallholding and petty landownership**, since it is precisely here that production is designed to a very major extent to satisfy the producer's own needs, and proceeds **without being governed by the general rate of profit**. Even where smallholding economy is pursued on leased farms, the lease-price includes far more than under any other conditions a part of the profit, and even a deduction from wages; it is then **only nominally rent**, not rent as an independent category vis-à-vis wages and profit.”⁹⁰

It is clear that, according to Marx, peasant production on the smallholding does not constitute *capitalist land-rent*. Now, let's see how he analyzed production on large landholdings in the semi-colonies designed for export on the world market:

“It is false to assume that the soil in those colonies and other new countries that can export corn at cheaper prices is therefore necessarily of greater natural fertility. In this case **grain is not only sold below its value**, but also below its price of production, *i.e.* **below the production price determined by the average rate of profit in the older countries**.”⁹¹

90 *Ibid.*, p. 946; PCB's bolding.

91 *Ibid.*, p. 808; PCB's bolding.

Here, Marx asserts that grain exported by the colonies does not command a cheaper price because their soil is more fertile, but because it is sold below the price of production determined by the average rate of profit in the metropolis. Here is the economic significance of Marx' conclusion: If the low price of grain the colonies was the result of more fertile soil, it would imply that a greater amount of grain could be harvested in the colonies than in the metropolis, despite the same amount of capital and labor investment and the same area of land. Such conditions, as we saw above, would generate excess profit for grain from the colonies compared to grain from the metropolis, which could then be converted into *differential land-rent*. If, under such conditions, grain from the colonies was sold for a cheaper price, it would not only fail to realize *differential rent*, but it would also provide average profit and absolute rent. But the situation is even more pronounced, for Marx demonstrated that grain from the colonies does not only fail to realize *differential rent* (because it is produced on worse soil and sold below the price of production of grain from the metropolis), but, similarly to peasant production, it also fails to realize *absolute rent*, and fails to draw even *average profit* as a whole.

The above situation bears similarities to *peasant land-rent*, but there is one enormous difference. While returns on peasant production, at best, match the wages that could be earned for equivalent labor, returns on production by the agro-exporting *latifundio* are significantly higher. The conditions that determine these enormous returns were highlighted by Marx in his analysis of colonial production:

“Their [the colonies’] **entire surplus product thus takes the shape of corn. This fundamentally distinguishes the colonial states founded on the basis of the modern world market** from those of earlier times, and particularly those of antiquity. They receive ready-made, through the world market, products that they would otherwise have to produce themselves, such as clothing, tools, *etc.* It is only on this basis that the Southern states of the Union could make cotton into their principal product. **It is the division of labor on the world market** that permits them this. Thus if, considering their newness and their relatively small population, they appear to produce a **very large surplus product, this is not due to the fertility of their soil or to the productiveness of their labor, but rather to the one-sided form of this labor and thus of the surplus product in which it is expressed.**”⁹²

In other words, colonization on the basis of the capitalist world market, on the international division of labor, allows the entire body of surplus production (for sale on the market) to take the form of corn. The large volume of this surplus is neither the result of soil fertility, nor labor productivity, **but to the one-sidedness [unilateralidad] of production.** Therefore, this large volume of corn (Marx analyzed production in the northern USA) can be sold below its price of production in the metropolis, and can still draw a substantial profit. This is in contrast to peasant production, which is subject to a state of permanent ruin by the large landholdings. In both cases, however, peasant production in general and large-scale production for export, as analyzed by Marx, receive neither capitalist land-rent nor the average profit characteristic of this mode of production.

92 *Ibid.*, p. 809; PCB’s bolding.

These conditions of colonial and peasant production—where neither a portion nor the entirety of the excess profit that constitutes capitalist land-rent is obtained—were the subject of intense struggle between the English industrial bourgeoisie and the agrarian aristocracy. As previously noted, capitalist land rent is a portion of the *social surplus-value* extracted by landowners from capitalists. Naturally, industry responds to this extraction by striving to minimize land rent as much as possible. Peasant and, more significantly, colonial production played a crucial role in this process throughout the 19th century. As Marx analyzed, when colonial corn is imported—primarily tax-free—and sold at a price below the cost of production, it becomes the regulator of the market price. Therefore, when the market price falls, the differential rent for the most fertile lands in the metropolis is reduced. The import of colonial corn—devoid of both capitalist rent and average profit—lowers the market price, which, in turn, reduces the value of labor-power, as a significant portion of this value is determined by the cost of food. The reduction of this value of labor-power is coupled with a reduction in the wages of the proletariat, and, consequently, an increase in the rate of surplus-value. Thus, even under *free competition*, colonial corn was an important factor in increasing the rates of surplus-value and profit. As Marx said:

“Inasmuch as the value of labor-power rises because the value of the means of subsistence required for its reproduction rises, or **conversely falls because the value of these means of subsistence falls... a fall in surplus-value and a devaluation means a rise.**”⁹³

93 *Ibid.*, p. 210; PCB’s bolding.

In his important supplement to Volume 3 of *Capital*, Engels explained how both small and large-scale agricultural production counteracts the tendency of the land-rent to rise; this is because of the occupation of increasing amounts of land across the globe, and successive investments of capital toward the same plot of land (differential rent II):

“Thus **the more capital is applied to the land** and the higher the development of agriculture and civilization in general in a country, the higher are the levels of rent per acre and the total sum of rent and **the more gigantic therefore the tribute society pays the great landowners** in the form of surplus profits – as long as types of land-once taken into cultivation all remain able to compete. This law explains the amazing vitality of the class of large landowners...

The same law, however, also explains why this vitality of the large landowner is gradually approaching its end.

When the Corn Laws were repealed in 1846, the English manufacturers believed they had thereby made the land-owning aristocracy into paupers. Instead, - these aristocrats became richer than before. How did this happen? Very simply... **Since the worst land was not totally withdrawn from cultivation**, but was at most used temporarily for other purposes, rents rose in proportion to the increased capital investment and the landed aristocracy did better than they had before.

But everything comes to an end eventually. **The transoceanic steamships, and the railways in North and South America and in India, made some quite singular tracts of land able to compete on the European corn markets.** First there were the North American prairies and the Argentine pampas, steppes which nature itself has made arable, virgin soil that offered rich yields for years even on rudimentary tilling and without fertilizer. **Then there were the lands of the Russian and Indian communistic communities**, which had to sell a portion of their product, and an ever growing one at

that, to get money for the taxes exacted by a merciless state despotism – often enough by torture. **These products were sold with no regard for their costs of production, sold at the price which the dealer offered, because the peasant absolutely had to have money at the payment date.** And faced with this competition – from virgin prairie soil and from Russian and Indian peasants succumbing to the screws of taxation – the European farmer or peasant could not survive at the old rents; One portion of European soil became definitively uncompetitive for corn growing, while everywhere rents fell... hence the agrarian complaint from Scotland to Italy, from the south of France to East Prussia.⁹⁴

Here, Engels provides us with a very important analysis of the economic role played by agricultural production in the colonies for industrial production and agriculture in industrialized 19th century Europe. The one-sidedness of large-scale colonial production allowed the landowners to export their commodities with a high return, but without receiving capitalist land-rent. The poverty of the peasantry of the colonies forced them to sell their commodities at a market price that did not meet the costs incurred by production. The abolition of import taxes on agricultural goods in England in 1846 increased the prevalence of these agricultural products, whose market price did not cover higher capitalist land-rent. The immediate result of this was the reduction of the capitalist land-rent of the English aristocracy, so much so that the market prices of these commodities plummeted and, in turn, caused the surplus-value extracted by English industry to rise substantially. Capitalist land-rent that was not paid to the colonial producers enabled the lowering of market prices of food, then the reduction of wages, and then the increase of

94 *Ibid.*, pp. 859-860; PCB's bolding.

surplus-value and capitalist profit. This relationship between the exploitation of the oppressed nations and the peasantry, which had already been pointed out by Marx and Engels, only accentuated under the stage of monopoly-capitalism.

Thus, there can be no doubt that peasant and colonial production designed for export, *i.e.*, monoculture for the world market, so typical of Latin American socio-economic formations, does not constitute a form of capitalist rent. What type of rent is this? Marx' study of the *genesis of capitalist land-rent* can help us answer this very important question. In Volume 3 of *Capital*, Marx demonstrated that land-rent, just like capital, is a social relationship, that every social relationship is based on relations of production, and that, under class society, all relations of production are exploitative relations characterized by the extraction of surplus-labor. Thus, Marx concluded that the characterization of the type of land-rent received is essential to characterizing the existing relations of production. For example, Marx demonstrated that an independent producer who owns the means of production and the conditions of labor only surrenders part of his production to his exploiter by way of "***extra-economic coercion***":

"The direct producer in this case is by our assumption in possession of his own means of production, the objective conditions of labor needed for the realization of his labor and the production of his means. of subsistence; **he pursues his agriculture independently, as well as the rural-domestic industry associated with it...** Under these conditions, **the surplus labor for the nominal landowner can**

only be extorted from them by extra-economic compulsion, whatever the form this might assume.”⁹⁵

As Marx’ analysis demonstrates, the agro-exporting landowners of the semi-colonies and the peasantry both supply their commodities without obtaining either average profit or capitalist land-rent; the landowner reaps enormous returns, while the peasant is subjected to perpetual ruin. These agricultural commodities, produced without capitalist land-rent, in turn, generate a greater production of surplus-value and a higher *rate of profit* for capitalists, as they create conditions for lowering the wages of workers in these countries. The negative rent of agricultural and peasant production is realized as *surplus-value* for capitalists, primarily benefiting imperialist finance-capital according to its distribution. Although the agro-exporting *latifundio* and the peasantry are both the legal and *de facto* owners of their land, they do not fully economically-realize their property. In other words, they fail to transform this ownership into the power to extract *surplus-value* from the bourgeoisie—a defining feature of capitalist land rent. Ultimately, as Marx pointed out: **“Whatever the specific form of rent may be, what all its types have in common is the fact that. the appropriation of rent is the economic form in which landed property is realized...”**⁹⁶ However, it is the big industrial bourgeoisie—and ultimately, and at a greater proportion, imperialist finance-capital—that economically realizes the property of the semi-colonial *latifundio* and the peasantry. They achieve this by

95 *Ibid.*, p. 926; PCB’s bolding.

96 *Ibid.*, p. 772; PCB’s bolding.

transforming negative land-rent into an increase in *surplus-value*.

The relationship between the metropolis and the colony/semi-colony is one of domination by the former and dependence by the latter—essentially, a form of vassalage. Through various means (economic, political, and military), the metropolis coerces the landowners to sell their goods below the price of production. The one-sidedness of monoculture for export makes these socio-economic structures doubly dependent: They rely on the metropolis for manufactured goods, for a market for their production, and for capital investment. What happens locally with the peasants mirrors the situation globally with the semi-colonial agro-exporting *latifundio*. The city exploits the countryside in general, industry exploits agriculture in particular, and the metropolis exploits the colonies/semi-colonies. The big landowners thus functioned as vassals of the metropolitan bourgeoisie, politically and ideologically aligned with its ideas, customs, and culture.

All these tendencies, still evident in the 19th century, were fully developed under imperialism. The land-rent of the agro-exporting *latifundio* is, therefore, an evolved form of feudal land-rent, which, while based on the exploitation of wage labor, does not yield capitalist land rent. It is, instead, a semi-feudal rent. Similarly, the land rent of the peasant is not capitalist; although he is the legal and *de facto* owner of his land, he does not economically-realize this ownership. His ruinous production contributes to the growth of capitalist profit, despite his low productivity. The negative rent embedded in his goods represents the tribute the peasant pays to society in order to avoid descending to the condition of the proletariat. Or, as Marx said:

“In order for the peasant smallholder to cultivate his land or to buy land to cultivate, therefore, it is net necessary, as in the normal capitalist mode of production, for the market price of the agricultural product to rise high enough to yield him the average profit, and still less an excess over and above this average profit that is fixed in the form of rent. Thus it is not necessary for the market price to rise either to the value of his product or to its price of production. **This is one of the reasons why the price of corn in countries where small-scale ownership predominates is lower than in countries of the capitalist mode of production. A portion of the surplus labor performed by those peasants working under the least favorable conditions is presented to society for nothing...** This lower price of corn in countries of small-scale ownership is a result of the poverty of the producers and in no way of the productivity of their labor.”⁹⁷

The peasants are violently oppressed, while the *latifundio* is content with enormous rents, extracted at the expense of the entire nation. Dependent on imperialism, the *latifundio* becomes the most loyal ally of foreign domination in the colonies and semi-colonies. We will now seek to theoretically demonstrate the mechanisms by which imperialism suppresses and appropriates land-rent in its pursuit of maximum profit.

2.3. Suppression or Appropriation of Land-Rent of the Oppressed Countries and of the Peasantry by Monopoly-Capital in Pursuit of Maximum Profit

In the previous discussion on *maximum Profit as a particularity of monopoly-capitalism*, we explored how the permanent super-exploitation of the proletariat in oppressed nations, along with the

⁹⁷ *Ibid.*, p. 942; PCB's bolding.

restriction of profits for the national bourgeoisie—specifically, the non-monopoly middle bourgeoisie in the colonial and semi-colonial countries—form two key sources for the superprofits of finance-capital. We observed that the pursuit of *maximum profit* is a defining feature of the imperialist stage, a result of qualitative changes in both the production sphere and the exchange mechanisms of capitalism under *free competition*. At the same time, we seek to demonstrate how Marx considered it plausible that the law governing the distribution of social surplus-value—*i.e.*, the law that regulates the formation of a general rate of profit, which establishes an average profit for all capitalists according to the size of their capital—could be modified. As we have noted, Marx questioned how the rate of profit would behave given the immense concentration of capital in relation to small and medium capitalists. For example, in studying land-rent, Marx stated: “[S]mall capitalists, as is partly the case in England... are satisfied with making a profit below the average.”⁹⁸

Under imperialism, this tendency is solidified, but this does not mean the suppression of the *general rate of profit*. Rather, it means that there is: A *general rate of profit for finance-capital*, which regulates the distribution of *maximum profit* among the imperialist bourgeoisie in their unchecked race for global domination; another *general rate of profit* that regulates the distribution of monopoly profit among the bureaucrat-and comprador-bourgeoisie in the colonial and semi-colonial countries; and a third *general rate of profit* that regulates the distribution of minimum profit among the national bourgeoisie of a given country. **All of these**

98 Karl Marx, *Theories of Surplus-Value*, Progress Publishers, Moscow, 1968, Part 2, p. 37; PCB's bolding.

are rooted in the superexploitation of the proletariat and benefit from the suppression of land-rent. In the colonial and semi-colonial countries, the suppression of peasant land-rent directly benefits the bureaucrat-bourgeoisie and, to some extent, the national bourgeoisie. For the imperialist bourgeoisie, the *suppression of land rent*—from both the *peasants* and the agro-exporting *latifundio*, as well as from the nation as a whole (through the exploitation of raw materials, energy sources, and captive markets for their goods)—is a major source for the generation of their maximum profit.

Thus, the study of the *Marxist theory of land-rent* helps us understand that the sources of imperialist *maximum profit* are: 1) the permanent superexploitation of the proletariat in the oppressed nations; 2) the suppression or appropriation of land-rent from the sources of raw materials and energy in the *colonial and semi-colonial countries*; 3) the limitation of *land-rent of the colonial and semi-colonial agro-exporting latifundio*, which, while enormous, remains far below what it would be if it were *capitalist land-rent*; 4) the suppression of *land-rent of the peasants*; and 5) the restriction of profits for the national bourgeoisie, which, reduced to a minimum, help to shape the *maximum profit* of the imperialist bourgeoisie. Three of these sources are directly related to land-rent: the suppression of *land-rent of the peasants*, the limitation of *land-rent of the colonial and semi-colonial latifundio*, and the suppression or appropriation of land-rent related to the sources of raw materials and energy in the oppressed nations. Marx studied all these particular forms of land-rent, so let us quickly review some of his conclusions about these three sources and their importance to the overall functioning of

capitalist production. Regarding peasant production, Marx wrote:

“The moral of the tale, which can also be extracted from other discussions of agriculture, is that **the capitalist system** runs counter to a rational agriculture, or that a rational agriculture is incompatible with the capitalist system (even if the latter promotes technical development in agriculture) **and needs either small farmers working for themselves** or the control of the associated producers.”⁹⁹

In other words, to the extent that its products at a value below their cost-price, the peasant economy contributes to the bourgeoisie’s increase in *surplus-value*, as it enables the reduction of wages; this is not because peasant production is more productive than large-scale production, but because, by not demanding an average profit or capitalist land-rent, it benefits the bourgeoisie by increasing both the *rate of surplus-value and the rate of profit*. In turn, the semi-colonial landowner, in disposing of agricultural commodities produced at the expense of the natural wealth of the oppressed countries, assists the imperialist bourgeoisie reduce *land-rent* in his own country and, more importantly, allows it to increase surplus-value, to the extent that land concentration thrusts perpetual ruin upon the peasant economy through the production of food below its cost:

“Assume that in a country like the United States [in the 19th century]... it is possible over a considerable period... **that the surplus-value which the farmer produces on top of average profit is not realized** in the price of his product, but that he may have to share it with his brother capitalists in

99 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 216; PCB’s bolding.

the same way as this is done with the surplus-value of all commodities which would give an excess profit, *i.e.*, raise the rate of profit above the general rate, **if their surplus-value were realized in their price.** In this case **the general rate of profit would rise**, because wheat, etc., like other manufactured commodities, **would be sold below its value.**¹⁰⁰

This situation, particular to the United States in the 19th century, in which the production of wheat for the English market encouraged the increase of the *general rate of profit* of the English bourgeoisie, has become the norm for the global food market under imperialism. Agricultural commodities from the oppressed nations are generally sold below their value and below the price of production on the worst soil; however, they draw enormous profits, and thus do not constitute a class oppressed by imperialism. In collaboration with imperialism, they hoard money at the expense of the natural wealth of the colonies and semi-colonies. A similar situation occurs with the reduction of market price below the price of production for raw materials, which Marx highlighted as a critical economic means to increase the rate of profit:

“This shows among other things how important low **raw material prices** are for industrial countries... It also explains how **foreign trade influences the rate of profit**, irrespective of any effect that it has on wages by cheapening the necessary means of subsistence... those economists who hold firmly to the general principles, such as Ricardo, **fail to recognize the influence of such things as world trade on the profit rate.**”¹⁰¹

100 Karl Marx, *Theories of Surplus-Value*, Progress Publishers, Moscow, 1968, Part 2, p. 38; PCB's bolding.

101 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, pp. 201-202; PCB's bolding.

Unlike Ricardo, Marx demonstrated the two-fold importance of the world market in influencing the rate of profit, both in terms of the trade of raw materials at low prices, which results in a constant capital economy and therefore a reduction of the cost-price and increase in capitalist profit; and in terms of the reduction of means of subsistence—food—which results in the reduction of wages and the increase of the rate of surplus-value. Therefore, it is clear that the suppression of capitalist land-rent, which is borne by the agricultural commodities and minerals of the colonies/semi-colonies, constitutes an essential source of maximum profit for imperialism. The means employed by finance-capital to suppress land-rent follow the same logic of all economic relations under monopoly; *i.e.*, monopolist control over production and exchange, which allows finance-capital to suppress capitalist rent of the raw materials of the colonies/semi-colonies, either through modest compensation—which, though relatively high in value, amounts to far less than what would otherwise constitute capitalist land-rent for these commodities—or through dynamite, employed by Yankee imperialism to pillage the natural resources of the oppressed nations. As Lenin said:

“Monopoly hews a path for itself everywhere without scruple as to the means, **from paying a ‘modest’ sum** to buy off competitors, to the American device of employing dynamite against them.”¹⁰²

The end result of these two imperialist methods is always the same: Finance-capital taking control of all

102V. I. Lenin, “Imperialism, the Highest Stage of Capitalism,” *Collected Works*, Progress Publishers, Moscow, Vol. 22, p. 208; PCB’s bolding.

production in the colonial/semi-colonial countries. When such control is established, land-rent, which had previously been suppressed, is artificially inflated, thereby establishing a particular form of market price under imperialism—*monopoly price*. This phenomenon was studied by Marx, but as an exception to the mode of exchange under free competition. But, as Lenin demonstrated, it has become the norm under imperialism: “*Where it is possible to capture all or the chief sources of raw materials, the rise of cartels and formation of monopolies is particularly easy... The prices fixed are monopoly prices...*”¹⁰³

Monopoly price itself, as mentioned above, is a phenomenon that is distinct from the monopoly price of agricultural commodities which arises from absolute rent. This is an important economic matter in order to grasp the particular characteristics of imperialist monopoly. We saw that the theory of absolute rent, as formulated by Marx, sheds light on how rent can be paid on the worst soil without breaking the law of value. In the case of agricultural commodities, monopoly price is instituted not because these commodities are sold above their values, but because the market price is higher than the price of production on the worst soil. In such a case, absolute rent generates the monopoly price. In the case of monopoly price proper, it is the inverse; the monopoly generates rent:

“It is necessary to distinguish **whether the rent flows from an independent monopoly price** for the products or the land itself, or whether the products are sold at a monopoly price because there is a rent... Here, therefore, the monopoly

103 *Ibid.*, pp. 207-208; PCB’s bolding.

price creates the rent. Conversely, **the rent would create the monopoly price** if corn were sold not only above its price of production but also above its value, as a result of the barrier that landed property opposes against the rent-free investment of capital on untilled land.”¹⁰⁴

Imperialist *maximum profit* suits this case precisely; it is rent generated by the *monopoly price* and not by the worst soil. Imperialist *maximum profit* is rent generated by the *monopoly price*, which, in turn, is assured by monopoly control over production, the violence of inter-imperialist competition, and, principally, by the national subjugation of the oppressed countries. Does the *monopoly price* characteristic of imperialism and the rent derived therefrom constitute a violation of the *law of value*? In other words, is it possible to consistently receive rent from the *monopoly price*, from the sale of commodities at prices higher than their values? Yes, it is possible for this to happen, and without violating the *law of value*. Let’s take a look at how Marx addresses this issue:

“Finally, if the equalization of surplus-value to average profit in the various spheres of production comes upon obstacles in the form of artificial or natural monopolies, and particularly the monopoly of landed property, so that a **monopoly price becomes possible, above both the price of production and value of the commodities this monopoly affects**, this does not mean that the limits fixed by commodity value are abolished. **A monopoly price for certain commodities simply transfers a portion of the profit made by the other commodity producers to the commodities with the monopoly price.** Indirectly, there is a local disturbance in the distribution of surplus-value among the various spheres of production, but this leaves unaffected the limit of the

104 Karl Marx, *Capital*, Penguin Classics, 1991, Vol. 3, p. 910; PCB’s bolding.

surplus-value itself. If the commodity with the monopoly price is part of the workers' necessary consumption, it increases wages and thereby reduces surplus-value, as long as the workers continue to receive the value of their labor-power. It could press wages down below the value of labor-power, but only if they previously stood above the physical minimum. In this case, the monopoly price is paid **by deduction from real wages** (*i.e.* from the amount of use-values that the worker receives for the same amount of labor) and **from the profit of other capitalists**. The limits within which monopoly price affects the normal regulation of commodity prices are firmly determined and can be precisely calculated."¹⁰⁵

Here, Marx provides us with a brilliant analysis of the global functioning of *monopoly price*, which is very important for a more profound understanding of imperialism. *Monopoly price*, the sale of a commodity at a price above its value or its price of production, does not allow for the creation of greater wealth, nor the production of additional *surplus-value*. It does allow for the greater concentration of wealth for that capital which controls the production of commodities that are sold at this price. The realization of a commodity's *monopoly price* is at the expense of other capitalists and the further exploitation of the proletariat. Therefore, on the world market, it is impossible for all commodities to be sold at *monopoly price*, but, because this price ensures rent which constitutes *maximum profit*, finance-capital produces commodities that succeed in establishing *monopoly price* as market price. The dispute over conditions of production and markets that guarantee *monopoly price* is a particular form of inter-imperialist competition.

105 *Ibid.*, p. 1001; PCB's bolding.

But how does land-rent fare under such distribution of surplus-value which is affected by *monopoly price*? Once again, let's consult Marx' view of the issue:

“Capital-profit (profit of enterprise plus interest) and ground-rent are thus nothing but particular components of the surplus-value; categories in which this surplus-value is distinguished according to whether it accrues to capital or landed property; designations which in no way affect its essence. **Added together, they form the total social surplus-value.**”¹⁰⁶

The aggregate of social *surplus-value* can be divided into two parts: capital-profit and land-rent. *Surplus-value* can only be generated in the process of production. Land-rent does not constitute the value of commodities, as [Adam] Smith's theory of value suggests. It is part of the *surplus-value* extracted from the capitalists by the landowners after the completion of the process of production. Land-rent does not generate value; it absorbs value. Only in the form of negative rent, *i.e.*, unrealized land-rent, can land-rent enable the creation of greater *social surplus-value*. On the one hand, imperialism suppresses, nullifies, peasant land-rent in the oppressed nations. On the other hand, it seeks to artificially inflate land-rent when it becomes monopolist, as in Lenin's examples of the sugar and cement cartels. Always at risk is the aggregate *surplus-value* produced by society, which cannot be increased by monopoly price. However, it can be redistributed in a different way, implying distinct *rates of profit*: monopoly profit and non-monopoly profit.

106 *Ibid.*, p. 960; PCB's bolding.

As we saw when analyzing average profit, Marx demonstrated that the *surplus-value* directly produced in agriculture does not participate in the establishment of the *general rate of profit*. This is because the *surplus-value* produced in agriculture does not constitute the social-surplus value distributed among different branches of industry, for it serves as payment for *absolute land-rent* to the rural landowners. As we saw above, Marx assumed that all *surplus-value* produced in agriculture is retained by the landowners in the form of land-rent, thereby prohibiting *surplus-value* produced in agriculture from being meted out among other capitals. Under imperialism, this principle remains valid, as surplus-value produced in agriculture still has not become part of the *general rate of profit*. In the colonies/semi-colonies, finance-capital appropriates part of this *surplus-value* which, under free competition, would otherwise pass to the landowners. However, it does this not to benefit the *general rate of profit*, but imperialist *maximum profit*.

With regards to monopoly rent, *i.e.*, rent generated by *monopoly price*, as is characteristic for imperialist *maximum profit*, Marx said:

“Thus even monopoly rent... is still a part of the surplus-value of other commodities, *i.e.* those which are exchanged against this commodity with a monopoly price. The sum of average profit plus ground-rent can never be greater than the quantity of which these are parts, and this is already given before the division.”¹⁰⁷

The sum of capital-profit and land-rent constitutes the total social surplus-value produced by society. Under

107 *Ibid.*, pp. 971-972; PCB's bolding.

free competition, when the *law of average profit* governs, total land-rent is the subtraction of total average profit from total *surplus-value*. Under imperialism, the profit of finance-capital needs to advance beyond land-rent in the oppressed nations to become *maximum profit*. Therefore, the imperialist bourgeoisie in the semi-colonies carries out its project of suppressing private landownership. But it suppresses private ownership of the natural forces in the oppressed countries not for the sake of social progress, but for the sake of colonial enslavement for *maximum profit*. When it asserts control over the entirety of primary production in the semi-colonies, they artificially inflate land-rent, which thereby becomes monopolistic and not typically capitalist. It does not do this to benefit the nation from which the natural wealth is extracted; it does so in service of immense capitalist accumulation.

In this way, finance-capital seeks to artificially inflate the land-rent of primary production under its control. It seeks not to reduce the profit of its own capital, but that of its competitors, deducting from them part of the previously-appropriated *surplus-value*. This dynamic of finance-capital reinforces the rentier [*rentista*] and parasitic character of imperialism, which seeks to increase the price of primary products by obtaining monopoly rent from land as part of its *maximum profit*. Of course, this process is constrained by capitalist production itself, as a disproportionate rise in the price of raw materials and food raises the *value of labor-power*, thereby reducing both the *rate of surplus-value* and the *rate of profit*. It is under these conditions that imperialist competition among large capital takes place.

The suppression of land-rent in the colonial and semi-colonial countries on the world market was extensively studied in the 1950s. The process that Chairman Mao characterized as “*exchange of unequal values*”¹⁰⁸ between imperialism and the Chinese peasantry was not a local phenomenon, but global. A myriad of statistical data collected over this period revealed finance-capital’s establishment of an international monopoly price of industrial production. This monopoly price, as we saw above, entailed higher capital-profit, which was compensated by reduction of land-rent that would otherwise have been paid on the primary products of the oppressed nations. This is the economic basis of the *monopoly price* of manufactured goods and the deficit in the prices of primary products.

After the 1970s, the reverse situation began to unfold, but with the same essence; the price of primary products began to significantly increase. This entailed the greater realization of land-rent for such commodities, particularly for oil. From the beginning, this posed a problem for imperialism, since it would have shrunk the profit of finance-capital. But this was circumvented by imperialism through the gradual entanglement of finance-capital with economic, political, and military control over these sources of raw materials. The strengthening of the State of Israel as a *gendarme* of Yankee imperialism in the Middle East is part of this policy to control the oil sources in the region, as well as its entanglement with the Saudi monarchy. This underscores the vital importance of the heroic Palestinian National Resistance as part of the World Proletarian Revolution.

108 Chairman Mao, “Cast Away Illusions, Prepare for Struggle,” *Selected Works*, Foreign Languages Press, Peking, Vol. 4, p. 426; PCB’s bolding.

In this way, Yankee imperialism, with its export of capital to the oil-producing countries, draws extra profit when the price of oil increases. On the other hand, it loses profit when the monopoly price of oil commands the reduction of capital-profit. Today, Yankee imperialism is a major oil producer, but its extraction within Yankee territory relies on the drilling of oil shale. This is the worst area for oil production, since it is the least economically-fertile. In order for the Yankee oil producers to draw profit, the market price must rise until they receive absolute rent, in addition to handsome profits. That is why it is in the interests of Yankee imperialism for the price of oil to float above \$50 per barrel. But an industrial economy whose capital controls large swaths of industrial production is not interested in the price rising too much above this level. This is in contrast to the Russian atomic superpower, which is less industrialized and has more fertile oil sources, thus benefiting more from artificial increases in the price of oil. In light of these oil-poor areas, it is essential for Yankee imperialism to knock more fertile oil sources controlled by different imperialist powers out of the competition. Through war and embargo, it restricts the participation of Iran and Venezuela, for example, in the global crude oil market as much as possible. This economically-artificial military control is essential for Yankee imperialism to structure *maximum profit* for its corporations. At the core of this question is the particular role played by land-rent under imperialism.

The same can be said for soybeans. The USA and Brazil are the two largest producers of soybeans in the world, with most of it bought by China. Although great amounts of Yankee capital has been exported to our country for their production, Brazilian soybeans compete

with Yankee soybeans. Of course, this competition is completely disproportionate, since most of the soybeans produced in Brazil depend on seeds, pesticides, and machinery produced by the USA; the growth of soybean production in Brazil directly benefits the economy of the Yankee imperialist superpower. However, as soybean production in Brazil has expanded, there has also emerged a tendency toward the reduction of market price, a situation which directly benefits Chinese imperialism, but also harms finance-capital invested in Yankee soybeans. With the Russian atomic superpower's invasion of Ukrainian territory, the production price of agricultural inputs has risen, thus increasing the cost-price of soybeans produced in both the USA and in Brazil. In Brazil, however, the impact was different. The expansion of soybean plantations in the Amazon region afforded a relative advantage in light of competition with Yankee soybeans. With new forests cleared, less inputs were needed to produce a greater amount of soybeans per hectare. Because of this, the state of Mato Grosso in the Amazon region quickly became the largest soybean producer in Brazil, overtaking the state of Paraná. This greater fertility allowed Brazilian soybeans to overtake Yankee soybeans. One of the ways Yankee imperialism limits competition is with the intensification of its environmental policies, with which they monitor felling in the Amazon rainforest and the Cerrado, not with the goal of preserving the natural environment and Brazil's natural wealth, but to ensure that the most fertile soil is driven from the market, thereby ensuring maximum profit for finance-capital invested in the production of Yankee soybeans.

The phenomenon of artificially increasing land-rent can also be observed in Europe. The European

Agreement on Agriculture (AoA), for example, lays out the amount of hectares to be produced in each country, as well as the types of crops to be produced. Land knocked out of the competition receives land-rent paid by the European Union; payment to produce nothing. This artificial means of limiting competition is intended to command a higher market price for French wine, for example. It is thus an imperialist policy for manipulating land-rent in order to draw maximum profit. In this case, it also seeks to achieve social control. Taxes imposed by the EU on Uruguayan milk, for example, seek to artificially preserve the land-rent of small dairy farmers in Europe. European society overpaying for its food ensures an artificial return on small-scale production. This serves as a means for European imperialism to corporatize and keep the continent's peasantry under its control, particularly after the 1990s, when this peasantry showed significant signs of its capacity for struggle and organization. This phenomenon, as studied by Lenin, is analogous to the labor aristocracy:

“In addition, a specific feature of Danish imperialism is **the superprofits it obtains** from its monopolistically advantageous position in the meat and dairy produce market: using cheap maritime transport, she supplies the world's biggest market, London. As a result, the Danish bourgeoisie and the **rich Danish peasants** (bourgeois of the purest type, in spite of the fables of the Russian Narodniks) **have become ‘prosperous’ satellites of the British imperialist bourgeoisie**, sharing their particularly easy and particularly fat profits.”¹⁰⁹

This phenomenon of a peasant aristocracy in the imperialist countries is another byproduct of this

109V. I. Lenin, “Ten ‘Socialist’ Ministers!,” *Collected Works*, Progress Publishers, Moscow, Vol. 23, p. 135; PCB's bolding.

particular stage of capitalism. It is important to study, because its existence today proves that, in spite of its partial paralysis, this class, insofar as imperialist crisis deepens, could constitute an important ally of the proletariat in the socialist revolutions of the imperialist countries. Thus, just as the labor aristocracy cannot be preserved for long, the same is true for this peasant aristocracy.

The study of imperialism and the *Marxist theory of land-rent* deepens our understanding of current phenomena and our perspective on the World Proletarian Revolution. Mastering this Marxist arsenal of political economy is crucial for understanding the relationship between the fundamental contradictions in the world today and why the contradiction between the oppressed nations and imperialism constitutes the main contradiction of the era.

3. The Principal Contradiction of the Monopoly Stage of the Capitalist Process

The two-line struggle which unfolded in the ICM in 2022, spurred on by the publication of the CCIMU's¹¹⁰ *Bases of Discussion*, particularly focused on the question of the fundamental contradictions in the world today, and which among them is principal. The struggle was correct to dwell on this point, since its identification is indispensable to the establishment of a common Political Line for the ICM that will serve to unify it. Two-line struggle also revolved around this issue during the CIMU¹¹¹ itself, regarding which, the ICL stated:

“The **fundamental contradiction** of the process of capitalist society as a whole has been that **between the proletariat and the bourgeoisie**; but, in passing from non-monopoly capitalism to monopoly-capitalism, or imperialism, **three fundamental contradictions** in the world have developed:

Firstly: Between the oppressed nations on the one hand, and the imperialist powers and superpowers on the other. This is **the main contradiction** both under the current circumstances and **throughout the imperialist era**... Secondly: Between the proletariat and the bourgeoisie... Thirdly: Inter-imperialist.”¹¹²

This statement signifies a great political leap in the ICM's line, since it builds upon what was established by the CPC in the *Chinese Letter* of 1963, and also serves to rectify critical errors and deviations found in the *Declaration of the RIM* of 1984, errors which were pointed out by the PCP in the 1980s. Continuing debate and struggle around this issue is important to improve

110Coordinating Committee for the Unified Maoist International Conference. — *Trans.*

111Unified Maoist International Conference. — *Trans.*

112International Communist League, *Political Declaration and Principles*, 2022; PCB's bolding; Editor's translation.

upon the ICM's understanding of the fundamentals of its General Political Line. Our Party considers the 2022 debate to be fruitful, since it helped clarify many issues. As part of the two-line struggle unfolding in the ICM following the founding of the International Communist League, we would like to make our positions on this issue public, considering it from two perspectives—firstly: the philosophical perspective, and secondly: the economic and political perspective. Before diving into this key question for the ICM from these two perspectives, we must draw a brief retrospective of how different theses on this issue have unfolded over the course of the development of the ideology of the international proletariat. In doing so, we seek to refute the UOC(MLM)'s terminological distortions, which they presented over the course of last year's debate.

In studying the economic substance of capitalist society, Marx brilliantly established the economic foundations of the contradiction between the proletariat and the bourgeoisie. In *Anti-Dühring*, Engels built upon this thesis and presented it in its most developed form. In *Socialism: Utopian and Scientific*, he clarified this thesis with even greater precision by incorporating the emerging elements of monopoly-capitalism in his analysis of the birth, development, and resolution of the contradiction. He highlighted the transformation from free competition into monopoly as follows:

“At a certain stage of development this form, too, no longer suffices; **the large-scale producers in one and the same branch of industry in a country unite in a 'trust', an association for the purpose of regulating production.** They determine the total amount to be produced, parcel it out among them-selves and thus **enforce the selling price fixed**

beforehand... In the trusts, **free competition changes into monopoly** and the **planless production of capitalist society capitulates before the planned production of the invading socialist society**. Of course, this is initially still to the benefit of the capitalists..."¹¹³

And he outlined the fundamental contradiction and its manifestations as follows:

"Production has become a social act; exchange and with it appropriation remain individual acts, the acts of individuals: the social product is appropriated by the individual capitalist. **Fundamental contradiction**, from which there arise all the contradictions in which present-day society moves and which large-scale industry brings to light.

A)... **Antagonism of proletariat and bourgeoisie**.

B)... **Contradiction between social organization in the individual factory and social anarchy in production as a whole**.

C)... unlimited expansion of production, likewise a compulsory law of competition for every manufacturer. On both sides, unheard-of development of the productive forces, excess of supply over demand, overproduction, glutting of markets, crises every ten years, vicious circle... The contradiction has grown into an absurdity: **the mode of production rebels against the form of exchange**. The bourgeoisie is convicted of incapacity to manage its own social productive forces any further.

D)... **Partial recognition of the social character of the productive forces** imposed on the capitalists themselves. Appropriation of the large production and communication organizations, first by joint-stock companies, later by trusts, then by the state."¹¹⁴

Going on to further develop his theses in *Anti-Dühring*, Engels demonstrated that the formation of

113 Friedrich Engels, *Socialism: Utopian and Scientific*, Foreign Languages Press, Paris, 2020, p. 77; PCB's bolding.

114 *Ibid.*, pp. 84-85; PCB's bolding.

private and State monopolies under capitalism corresponds to the obligatory partial recognition of the social character of the productive forces, but not of the resolution of the contradiction. In *On Contradiction*, Chairman Mao summed up Marxism's discoveries in the social sciences, proceeding from Engels' theses and posing the question as follows:

“When Marx applied this law [of contradiction] to the study of the economic structure of capitalist society, he discovered that the basic contradiction of this society is the contradiction between the social character of production and the private character of ownership. This contradiction **manifests itself** in the contradiction between the organized character of production in individual enterprises and the anarchic character of production in society as a whole. In terms of class relations, it **manifests itself** in the contradiction between the bourgeoisie and the proletariat.”¹¹⁵

In other words, the economic basis of the social contradiction between the proletariat and the bourgeoisie is the contradiction between social production and private capitalist appropriation. Since the economic base is not limited to the sphere of production, the fundamental contradiction manifests as a reflection in the sphere of exchange, *i.e.*, of free competition over production, as the contradiction between the organized character of production in individual enterprise and the anarchic character of social production. Building on Engels' thesis, Chairman Mao presented that same fundamental contradiction in its different manifestations, both political and economic (production and exchange).

115 Chairman Mao, “On Contradiction,” *Selected Works*, Foreign Languages Press, Peking, Vol. 2, pp. 328-329; PCB's bolding.

Both touch on the same issue, to such an extent that Engels summed up the proletarian revolution as follows:

“Proletarian revolution, **solution of the contradictions**: the proletariat seizes the public power and by virtue of this power **transforms the social means of production**... Social production according to a **predetermined plan** now becomes possible. The development of production makes the further existence of different social classes an anachronism. In proportion as the anarchy of social production vanishes, the political authority of the state dies away. Men, at last masters of their own mode of social organization, consequently become at the same time masters of nature, masters of themselves—free.”¹¹⁶

In terms of politics, the resolution of the contradiction between the proletariat and the bourgeoisie begins with the seizure of power by the proletariat. In terms of economics, it begins with the socialization of the means of production, now completely socialized. These advancements transform social classes into an anachronism, and the State goes extinct, losing its functions bit by bit until its total extinction with the disappearances of the vestiges of class, with the proletarian revolution culminating in Communism. Chairman Mao built upon and simplified Engels’ thesis, depicting this same social contradiction in its economic and political dimensions. Nevertheless, the content of Engels’ thesis remained the same.

A similar process unfolded with regards to Stalin’s thesis on the most important contradictions under imperialism. Proceeding from Engels’ theses, Stalin

116 Friedrich Engels, *Socialism: Utopian and Scientific*, Foreign Languages Press, Paris, 2020, p. 85; PCB’s bolding.

analyzed the *most important contradictions* of the imperialist era as follows:

“Lenin called imperialism ‘moribund capitalism.’ Why? Because imperialism carries the contradictions of capitalism to their last bounds, to the extreme limit, beyond which revolution begins. **Of these contradictions, there are three** which must be regarded as the **most important**.

The first contradiction is the contradiction between labor and capital... The second contradiction is the contradiction among the various financial groups and imperialist Powers in their struggle for sources of raw materials, for foreign territory... The third contradiction is the contradiction between the handful of ruling, ‘civilized’ nations and the hundreds of millions of the colonial and dependent peoples of the world...

Such, in general, are **the principal contradictions of imperialism** which have converted the old, ‘flourishing’ capitalism into moribund capitalism.”¹¹⁷

Chairman Mao was referring to this exact passage when he stated:

“When Stalin explained the historical roots of Leninism in his famous work, *The Foundations of Leninism*, he analyzed the international situation in which Leninism arose, **analyzed those contradictions** of capitalism which reached their culmination under imperialism, and showed how these contradictions made proletarian revolution a matter for immediate action and created favorable conditions for a direct onslaught on capitalism.”¹¹⁸

Chairman Mao did not use the same term as Stalin, *principal contradictions of imperialism*,

117 J. V. Stalin, “Foundations of Leninism,” *Works*, Foreign Languages Publishing House, Moscow, Vol. 6, pp. 74-76; PCB’s bolding.

118 Chairman Mao, “On Contradiction,” *Selected Works*, Foreign Languages Press, Peking, Vol. 1, p. 329; PCB’s bolding.

because, in *On Contradiction*, he formulated, for the first time in the history of Marxism, the thesis that, in any complex process in which there are several contradictions, there will, at any particular stage, always be one **main contradiction**. Stalin did not address this philosophical question in *Foundations of Leninism*, which is why he used *most important contradictions* and *principal contradictions* as synonyms. After Chairman Mao established a qualitative leap in Marxist philosophy, it became clear that these terms could no longer be used interchangeably. There is no difference, with regards to political and social content, between the theses of Stalin and Chairman Mao. However, Chairman Mao made a significant contribution to the thesis of the contradictions of imperialism—a contribution that aligns with the philosophical development of the third stage of Marxism. In other words, when assessing a phenomenon, it is essential to establish which contradictions are fundamental, and which of these is the main contradiction at each stage in that phenomenon's process of development.

This is why, in the *Chinese Letter*, the CPC presented the contradictions under imperialism as thus:

“In defining the general line of the international communist movement, the starting point is the concrete class analysis of world politics and economics as a whole and of actual world conditions, that is to say, of the **fundamental contradictions** in the contemporary world...”

What are the fundamental contradictions in the contemporary world? Marxist-Leninists consistently hold that they are: the contradiction between the socialist camp and the imperialist camp; the contradiction between the proletariat and the bourgeoisie in the capitalist countries; the contradiction between the oppressed nations and imperialism;

and the contradictions among imperialist countries and among monopoly capitalist groups.”¹¹⁹

Chairman Mao also used the term *basic contradictions* in reference to the process of development of the Chinese Revolution:

“The contradiction between imperialism and the Chinese nation and the contradiction between feudalism and the great masses of the people are the **basic contradictions** in modern Chinese society... But the contradiction between imperialism and the Chinese nation is the **principal one**.”¹²⁰

Chairman Mao’s improvement of the terminology of these concepts, both with regards to Engels and Stalin, corresponds to the philosophical development of the Maoist stage. It is therefore nonsensical to continue to use terms that were not wrong at the times they were used, but have become obsolete in light of the development of the ideology. Thus, we must unify these concepts, and, instead of using the term *most important contradictions*, we must start using the term *fundamental contradictions*, and highlight which contradiction among them is principal. To dwell considerably on this question, as the UOC(MLM) has done, is to reduce philosophical debate to a matter of semantics that muddies the waters to confuse people, mainly themselves. In the UOC(MLM)’s response to the

119 Central Committee, Communist Party of China, “A Proposal Concerning the General Line of the International Communist Movement,” *Documents of the Communist Party of China: The Great Debate*, Foreign Languages Press, Paris, 2022, Vol. 2, p. 10; PCB’s bolding.

120 Chairman Mao, “The Chinese Revolution and the Chinese Communist Party,” *Selected Works*, Foreign Languages Press, Peking, Vol. 2, p. 313; PCB’s bolding.

PCC-FR,¹²¹ they criticize them for “*abandoning the idea of the most important contradictions, instead embracing that of fundamental contradictions.*” They even go as far as pointing out an “error” in the CPC document:

“To return to the problem of the fundamental contradiction, the ‘25-Point Letter’ or the ‘Chinese Letter’ of 1963 was undoubtedly **inexact in putting forward four ‘fundamental contradictions.’**”¹²²

The UOC(MLM) leadership claims that we, the Parties of the ICL, adhere “*to the 1963 General Line as if it were Moses’ Tablets.*” What we have done is adopted it as the most advanced thesis of the General Line of the ICM in Chairman Mao’s time, and we have sought to apply it to new conditions. At the same time, we have identified certain limitations in this otherwise very important document, such as its failure to specify the principal contradiction in the world. Similarly, we recognize the positive aspects of the RIM Conference in 1984, while mainly criticizing the ideological and political errors of its *Declaration* as expressions of the rotten Avakianist theses praised by the UOC(MLM). This *Declaration* presents the question of the fundamental contradiction as thus:

“All the **major contradictions** of the world imperialist system are rapidly accentuating: the contradiction between various imperialist powers, the contradiction between imperialism and the oppressed peoples and nations, and the contradiction between the bourgeoisie and the proletariat in

121 Communist Party of Colombia – Red Fraction. — *Trans.*

122 UOC(MLM), *Revista Negación de la Negación* [Negation of the Negation], no. 6, 2022; PCB’s bolding.

the imperialist countries. All of these contradictions have a common origin in the capitalist mode of production and its fundamental contradiction. The rivalry between the two blocs of imperialist powers led by the US and the USSR respectively is bound to lead to war unless revolution prevents it and **this rivalry is greatly affecting world events.**¹²³

The great error of this thesis lies in the Avakianist dogma that inter-imperialist contradiction is the driving force of history. It is therefore listed as the first contradiction, and is highlighted at the end as the contradiction that will greatly affect world events. Another error that our Party deems essential to correct is the characterization of the contradiction between the proletariat and the bourgeoisie as being confined to the imperialist countries. As Stalin demonstrated in *Foundations of Leninism*, towards the opening of the imperialist stage, this contradiction became international and enforced in all countries across the world, regardless of the amount of workers as a fraction of the population in an oppressed nation.

We believe that the *25-Point Letter* contains two mistakes resulting from the influence of the right wing of the CPC leadership before the GPCR. The first mistake, as mentioned above, is that it does not specify which contradiction of the four presented contradictions constitutes the principal contradiction. According to the *law of contradiction* fully established by Chairman Mao, under imperialism, as a complex process in which several contradictions exist, there is one principal contradiction, which, in this case, as Chairman Mao

123 Revolutionary Internationalist Movement, *Declaration of the Revolutionary internationalist Movement*, 1984; PCB's bolding.

always maintained, is the contradiction between the [oppressed] nation[s] and imperialism, based on the thesis of the Great Lenin that the world has been divided among a handful of advanced nations and imperialist powers on the one hand and the vast majority of the backward nations on the other.

The second example is its characterization of the contradiction between the proletariat and the bourgeoisie as limited to the capitalist countries. This partially aligns with Liu Shao-chi's position, who defended the bogus theory of the resolution of the contradiction between the proletariat and the bourgeoisie under socialism. These two mistakes were rectified by the CPC during the preparatory debates and resolutions of its 9th Congress in 1969. The *Political Declaration and Principles* approved at CIMU set the record straight on all these issues, and, therefore, constitutes the highest-developed Marxist-Leninist-Maoist thesis for the ICM.

3.1. The Philosophical Aspect of the Problem

Now that we have clarified the content of the matter and have demonstrated its misrepresentation of biblical proportions by the UOC(MLM) leadership, let us now turn to the philosophical aspect of the issue in further detail. There are two critical philosophical problems in this debate: 1) **the dialectical relationship between the universality and particularity of a contradiction**, and 2) **the question of the principal contradiction in a process and in the stages of that process**. These two problems form part of the law of contradiction on which we have been sufficiently educated by Chairman Mao. Their resolution can therefore be found directly in *On Contradiction* itself.

Let's begin with the first problem:

In his thesis on the *law of contradiction*, Chairman Mao emphasized the necessity of studying the universality and particularity of contradiction. He began by explaining universality, since it is the simpler aspect. He determined that the universality, or absolute character, of contradiction lies in the fact that it exists in the process of all things and phenomena, that it permeates every process from beginning to end. Thus, he demonstrated that, at the beginning of a phenomenon, contradiction already exists, even if the struggle of opposites is not readily apparent. He further demonstrated that the "*universality of contradiction*" "*resides in the particularity of contradiction,*" establishing the dialectical, contradictory relationship between the universal and the particular.

Next, he undertook a "special analysis of the particularity" of contradiction, special because the particularity of contradiction is more complex than universality, and more difficult for dogmatists to understand. Mao demonstrated that each form of motion of matter possesses its own particular character; that, in studying contradiction, it is essential to consider the commonalities between a given form of motion and other qualitatively distinct forms, while placing special emphasis on examining the particularities of the form of motion under analysis. The commonality between different forms of motion constitutes the **universal** aspect; its differences constitute the **particular** aspect, or feature.

Mao demonstrated how the different sciences, in studying different forms of movement of matter, assess particular contradictions; he emphasized that, in the social sciences, the particular contradiction lies in the manifestation of the contradiction between the

productive forces and the relations of production. He further demonstrated that, in every form of motion, no matter which, there exist different processes that are qualitatively different from each other; therefore, it is necessary not only to study the particular contradiction of every great system of the forms of motion of matter, but also to study "*the particular contradiction and the essence of **each process.***"¹²⁴ In order to discover the particularity of the contradictions in the process of development of a thing or phenomenon, *i.e.*, the essence of this process, Mao emphasized the need to study "*the particularity of **each aspect** of each contradiction.*":

"Not only does the whole process of the movement of opposites in the development of a thing, both in their interconnections and in each of the aspects, have particular features to which we must give attention, but **each stage in the process has its particular features** to which we must give attention too."¹²⁵

Mao concluded by stating that "*the fundamental contradiction in the process of development of a thing*" and the essence of this process do not disappear until the process is completed. He emphasized, however, that, in any given process, "conditions usually differ at each stage." But this does not mean that the fundamental contradiction in the process is changed over the course of these stages. In other words, as the process of development of a thing unfolds, each stage will have particular features, while the essence of the process remains unchanged.

124 Chairman Mao, "On Contradiction," *Selected Works*, Foreign Languages Press, Peking, Vol. 1, p. 321; PCB's bolding.

125 *Ibid.*, pp. 324-325; PCB's bolding.

In studying the particularity of contradiction, Chairman Mao began with the forms of motion of matter, proceeded to analyze the distinct processes within a given form of motion, and ultimately focused on the different stages in the process of development of a thing. Here, the dialectical relationship between the universality and particularity of contradiction becomes evident: the common characteristics shared by different forms of motion of matter represent the universal aspect, while the distinctive features unique to each form of motion represent the particular. Each form of motion contains particular contradictions; the commonalities of these processes constitute its universality.

After undertaking a philosophical study of this dialectical movement from the universal to the particular, Chairman Mao illustrated this process with examples drawn from the social sciences discovered by Marxism. He demonstrated how, in studying society as a determined form of motion of matter, Marx and Engels discovered the contradiction between the productive forces and the relations of production, between the exploited class and the exploiting classes, and the contradiction between the economic base and the superstructure, the latter of which springs from the former. In applying the law of contradiction to the study of a certain process within this form of motion, i.e., capitalist society, Mao emphasized that it was Marx who discovered the fundamental contradiction of capitalist society—between the social character of production and private property. He went on to describe the dialectical relationship between the universal and the particular with regard to Marxist discoveries:

“Because the range of things is vast and there is no limit to their development, **what is universal in one context becomes particular in another.** Conversely, what is particular in one context becomes universal in another. The contradiction in the capitalist system between the social character of production and the private ownership of the means of production is common to all countries where capitalism exists and develops; as far as capitalism is concerned, **this constitutes the universality of contradiction.** But this contradiction of capitalism belongs only to a **certain historical stage** in the general development of class society; as far as **the contradiction between the productive forces and the relations of production in class society as a whole is concerned, it constitutes the particularity of contradiction...**”¹²⁶

What is universal in one context becomes particular in another context, and vice-versa. This is the essence of the dialectical relationship between universality and particularity. Both are interdependent, opposed to, and, under certain circumstances, transform one into the other. For example, the contradiction between social production and private appropriation constitutes the universal aspect of capitalist society when viewed as a process. But when class society is viewed as a process, the contradiction between social production and private appropriation constitutes the particular aspect of the contradiction between the productive forces and the relations of production of capitalist society. We can see, then, the way in which Chairman Mao in this passage handles the dialectical relationship between the process and the stage. When viewing class society as a whole, capitalist society represents a stage within this process; when viewing capitalist society as a process, imperialism constitutes a particular stage within it.

126 *Ibid.*, p. 329; PCB's bolding.

Chairman Mao ends this chapter on the *particularity of contradiction* by citing Comrade Stalin's analysis of the particular contradictions of the imperialist stage of capitalism:

“Since the particular is united with the universal and since the universality as well as the particularity of contradiction is inherent in everything, **universality residing in particularity**, we should, when studying an object, try to discover both the particular and the universal and their interconnection, to **discover both particularity and universality and also their interconnection** within the object itself, and to discover the interconnections of this object with the many objects outside it. When Stalin explained the historical roots of Leninism... [he] **analyzed those contradictions** of capitalism which reached their culmination under imperialism... What is more, he analyzed the reasons why Russia became the cradle of Leninism, why tsarist Russia became the focus of all the contradictions of **imperialism**, and why it was possible for the Russian proletariat to become the vanguard of the international revolutionary proletariat.”¹²⁷

In this example, three planes converge, the philosophical understanding of which is essential for advancing toward a common understanding within the ICM regarding the contradictions in the world. It involves the universal, the particular, and the specific; i.e., capitalism as a process, imperialism as a stage of this process, and the manifestation of the particular contradictions of imperialism in a specific country. In this case, Russia. Thus, we can observe a double-relationship between the universal and the particular. First, the particular contradictions of imperialism in light of the universal capitalist process; and second, the universal

127 *Ibid.*, pp. 329-330; PCB's bolding.

contradictions common to the entire world under imperialism and their particular manifestations in each country. With regard to Stalin's assessment of the dialectical relationship between the universal and the particular, Chairman Mao said:

“Thus, Stalin **analyzed the universality of contradiction in imperialism**, showing why Leninism is the Marxism of the era of imperialism and proletarian revolution, and at the same time **analyzed the particularity of tsarist Russian imperialism within this general contradiction**, showing why Russia became the birthplace of the theory and tactics of proletarian revolution and how the universality of contradiction is contained in this particularity. Stalin's analysis provides us with a model for understanding the particularity and the universality of contradiction and their interconnection.”¹²⁸

The particular contradictions of a stage cannot suppress the particular contradictions of a process. If the particular contradictions of a stage were eliminated, it would no longer constitute one stage of a process, but an entirely new process. However, a stage within a process can only change if there are different particular contradictions. Otherwise, there would be no stages in the process, but the mechanical growth of those same contradictions. Chairman Mao demonstrated that certain contradictions can deepen, others can be resolved, and new contradictions can emerge in the process of the accentuation of the fundamental contradiction of a process. It is this change of particular features over the course of a thing's process of development that signals the emergence of a new stage or the supersession of the previous stage.

128 *Ibid.*, p. 330; PCB's bolding.

Over the course of last year's debate around the definition of "the principal contradiction in the world," some comrades put forward the argument that the act of highlighting such a principal contradiction could lead revolutionary Parties and organizations to immediately, mechanically confuse that contradiction with the principal contradiction of their particular country. Although this argument demonstrated a lack of sufficient understanding of *the law of contradiction*, it made sense as somewhat of a warning. In the past, particularly during the 1960s and 1970s, there was a tendency for certain Maoist Parties and forces to incorrectly equate the principal contradiction of their revolution with the principal contradiction of the era, *i. e.*, the contradiction between the oppressed countries and imperialism. This happened in the Communist Party of Brazil as well; different Maoist factions of the Brazilian revolutionary process at that time characterized the fascist military *coup* of 1964 as the result of the direct intervention of Yankee imperialism, and thus incorrectly identified the main contradiction in Brazil as that between the nation and imperialism. This belittled the fact that the main contradiction in Brazilian society was that between the poor peasantry and the *latifundio*, which was expressed in the form of the contradiction between the masses and semi-feudalism and an acute and large-scale peasant struggle. During that period, there were significant efforts and notable results from Maoist participation in the struggle in the countryside, most prominently the Heroic Guerrilla of Araguaia, which marked the first attempt to unleash People's War in our country. However, this failure to correctly identify the principal contradiction in society and of the Brazilian Revolution opened a breach for revisionism which deviated from the path of People's

War following the military defeat of that historic initiative. This dealt great ideological damage to the Party, resulting in its near-total liquidation.

So as not to repeat this error, Communist Parties must elevate their understanding and assessment of the *law of contradiction*. We need to more deeply study the dialectical relationship between the universal and the particular in order to grasp the fact that the particular conditions under imperialism are structured in a different way than under *free competition*, even though they maintain some essential, universal, and common characteristics; that such characteristics of imperialism are particular to the capitalist process as a whole, that they constitute "*the universal aspects of the contradictions of imperialism*," and that these universal aspects manifest in particular forms in each country. Therefore, the general line of the ICM can never be a substitute for development of the political line of each revolution, which will include their own particularities and specifics, as well as universal aspects common to all revolutionary movements across the globe.

Thus, we reach the second problem: **the question of the principal contradiction of a process vs that of the stages of this process**. Chairman Mao studied this problem in a separate chapter in *On Contradiction*, but he stressed that the *principal contradiction* is part of the question of the *particularity of contradiction*. He demonstrated that, over the course of the process of development of a complex thing, many contradictions arise, and that one of them must necessarily be principal. This principal contradiction, in turn, constitutes the contradiction "*whose existence and development*

*determines or influences the existence and development of the other contradictions.*¹²⁹

To illustrate the problem of the principal contradiction, Chairman Mao compares the complexity of the revolutionary processes in the imperialist countries to the Chinese Revolution. He said that, in the revolutions in the imperialist and developed capitalist countries, *“two forces in contradiction, the proletariat and the bourgeoisie, form the principal contradiction.”*¹³⁰ In the colonial and semi-colonial countries, such as China, *“the relationship between the principal contradiction and the non-principal contradictions presents a complicated picture.”*¹³¹ He demonstrated that, when imperialism launches a war of aggression against a semi-colonial country, different social classes can temporarily unite in a revolutionary national war:

“At such a time, the contradiction between imperialism and the country concerned **becomes the principal contradiction**, while all the contradictions among the various classes within the country (**including what was the principal contradiction**, between the feudal system and the great masses of the people) **are temporarily relegated to a secondary and subordinate position.**”¹³²

As seen in the above passage, Chairman Mao assessed two fundamental contradictions in 1930s Chinese society: between the oppressed nation and imperialism; and between the feudal system and the masses of people. He demonstrated that, depending on the circumstances,

129 *Ibid.*, p. 331; PCB's bolding.

130 *Ibid.*, p. 331; PCB's bolding.

131 *Ibid.*, p. 331; PCB's bolding.

132 *Ibid.*, p. 331; PCB's bolding.

these pairs of contradictions can swap places, where one assumes principality and relegates the other to a subordinate position, and vice-versa. The modification of the principal contradiction determined the modification of the stage of the Chinese Revolution, the CPC's United Front policy, and their military strategy in the People's War. Perception of the modification of the principal contradiction in a particular revolutionary process is crucial to steer it in the right direction. In analyzing the process of the Chinese Revolution, Chairman Mao presented a thesis key to the current ICM debate:

“But whatever happens, there is no doubt at all that **at every stage in the development of a process, there is only one principal contradiction** which plays the leading role.”¹³³

In other words, in China's case, the principal contradiction of the stage in which there was no direct imperialist aggression was between the masses of people and the feudal system. It was this contradiction that determined the political and military line of the Party. When there was imperialist aggression, the principal contradiction was modified, and this [new] principal contradiction began to determine all the others, including that between the masses and feudalism. That is why, during the National Revolutionary War, Chairman Mao distinguished between those landowners who supported the enemy invaders, and those who participated in the national resistance. Only the pro-Japanese landowners were attacked by the Party during the Anti-Japanese National War of Resistance. In other words, the principal contradiction of that stage of the Chinese Revolution was modified with regards to the principal contradiction of

133 *Ibid.*, p. 332; PCB's bolding.

the previous stage. The process, the Chinese Revolution, stayed the same. But the principal contradiction was modified from one stage to the next, from the agrarian stage to the national stage, both part of the New Democratic Revolution.

Imperialism is the highest, final, and particular stage of capitalism. Its particular characteristics are determined by the accentuation of the fundamental contradiction of the capitalist process, manifest in class relationships as the antagonistic contradiction between the proletariat and the bourgeoisie. This contradiction is universal for the entire process, and will continue to exist until the total disappearance of the bourgeoisie and the other social classes, a task that will span—as demonstrated by the historical experience of the dictatorship of the proletariat—the whole length of the period of acute struggles in the transition to Communism. However, over the course of the capitalist process of development, at least three stages have been established: Its dawn, in which capitalism arose as a mode of production subjected to the feudal mode of production; its “blossoming” under *free competition*; and its decay under imperialism. Throughout this lengthy process, the contradiction between the proletariat and the bourgeoisie has continued as a particular and fundamental contradiction of this process. It will continue throughout the period of transition, socialism, but as a new phenomenon that is qualitatively distinct, since the proletariat will become the dominant aspect and bourgeoisie the dominated aspect of the contradiction. The experience of the dictatorship of the proletariat in China and Chairman Mao’s theses prove that this contradiction remains the principal contradiction until we all reach Communism. Awareness of this continuation is

critical to crushing attempts at restoration and to secure the transition to resplendent Communism. Even though this particular contradiction continues as a fundamental contradiction up until the total extinction of social classes, throughout each stage of this process, one contradiction will mature and become principal. A new stage can only emerge in a given process when a new principal contradiction emerges and determines the new particular characteristics of this new stage, as seen in the above example of the modification of the principal contradiction and the emergence of new stages throughout the process of the Chinese Revolution.

Therefore, the *law of contradiction* established by Chairman Mao and the definition put forth in the *Political Declaration and Principles* of the ICL—identifying the principal contradiction of the entire imperialist era as that between the oppressed nations and imperialism—are entirely compatible. This definition is not only dialectically possible, but necessary. The fact that any of the other fundamental contradictions can become, under different conditions, the principal contradiction in the world, like in the case of a global inter-imperialist war, means that the imperialist stage is also subdivided into qualitatively different stages. Here, again, we are confronted by the dialectic between the universal and the particular. Just as we assess class society as a process, we can assess imperialism as a process whose different phases correspond to stages in its development. Thus, each phase of this stage is characterized by the modification of the principal contradiction, but principality inevitably returns to that principal contradiction which characterizes the stage of this process.

Therefore, the fundamental contradiction of a process is that particular contradiction that distinguishes it from other qualitatively-different processes (for example, capitalism and feudalism). But in assessing stages of the same process, the fundamental contradiction will be the one that continues to determine the process as a whole through the modification of the principal contradiction in different stages of the same process (for example, *free competition* and imperialism). Each complex process is composed of multiple contradictions, but what are the fundamental contradictions? They are those which shape the nature of the process and its stages, or phases of the stage. Among all the fundamental contradictions, one will stand out as principal in the stage, and the others will be secondary.

We saw above that, philosophically, it is correct to identify the fundamental contradictions in the world today under imperialism. Furthermore, we also saw that, among these fundamental contradictions, one will stand out as the principal contradiction, depending on the circumstances; that this principal contradiction does not counteract the existence of a fundamental contradiction particular to this process. On the contrary, this is the form in which the universal contradiction manifests, since the universal can only concretely exist within the particular. At the same time, we have sought to demonstrate that each particular stage is also characterized by a particular contradiction, or by the principal contradiction of this stage, and that the modification of this principal contradiction determines the transcendence of the phases of this stage. Finally, we saw that the existence of a principal contradiction in the world does not mean that the principal contradiction is the same in each country.

The challenge in understanding this complex relationship lies in grasping and assessing the dialectical relationship between the universal and the particular, a critical element of the law of contradiction articulated at a higher level by Chairman Mao. But philosophy alone is not enough to correctly identify which contradictions in the world today are fundamental, and which of these constitute the principal contradiction under imperialism. As the *25-Point Letter* emphasized, this is only possible on the basis of a “*concrete analysis of classes, the economy, and world politics.*” We seek to do this below.

3.2. The Economic and Political Aspects of the Problem

The immediate economic manifestation of the contradiction between the proletariat and the bourgeoisie—the fundamental social classes of the entire capitalist process—was brilliantly presented by Marx in his work *Wages, Price and Profit*. In this work, Marx, the founder of the scientific ideology of the proletariat, demonstrated that the immediate economic contradiction between the fundamental classes of capitalist society was manifest in the conflict between the worker’s wages and the bourgeoisie’s profit. At the time he made this argument, which was addressed to the leadership of the I International, Marx had already fully developed his theory of *surplus-value*. Thus, he demonstrated on a solid scientific basis that the struggle for increases in wages implied the immediate reduction of capitalist profit, thereby refuting the incorrect ideas spreading within the workers’ movement that any increase in wages could be counteracted by a subsequent increase in the prices of the means of subsistence. Marx demonstrated

that wage and profit constitute two aspects of the same unit—new value added in the process of production. Therefore, an increase in wages implies the reduction of profit. At the same time, Marx demonstrated that the proletariat's struggle mustn't be limited to the greater valorization of labor-power, to a "just wage." He demonstrated that, as long as wage-labor exists, as long as the bourgeoisie owns the means of production, the proletariat will continue to be a subjugated class, exploited and squeezed dry by competition among its brethren for work, a mechanism through which the capitalist class institutes wage reductions and recovers its profits.

In *Capital* and *Anti-Dühring*, Marx and Engels, respectively, proved that the fundamental economic contradiction of capitalist society is that between social production and private appropriation. This contradiction is not resolved by the struggle for wages, not even momentarily. It is resolved by the socialization of the means of production, a task that, as Marx said, can only be accomplished **by the dictatorship of the proletariat**. This contradiction, however, is immediately manifest in the continual struggle of the capitalists to reduce the value of labor-power to its minimum, and even beyond, thereby increasing the extraction of *surplus-value*, which affords the bourgeoisie its life of luxury and its gigantic accumulation of wealth. Therefore, surplus-value constitutes the immediate economic basis of the contradiction between the proletariat and the bourgeoisie.

What, then, constitutes the economic basis of the contradiction between imperialism and the oppressed nations? As seen above, in our discussion about maximum profit, it is based on three pillars: 1) the

realization of a higher rate of surplus-value, to the extent that it becomes possible to exploit the proletariat of the oppressed nations to a higher degree than within the imperialist metropolises; 2) the restriction of the profit of the non-monopolist bourgeoisie, thrusting upon it a minimum profit; and 3) finance-capital's suppression or appropriation of land-rent of the primary products of the oppressed nations. The struggle of the proletariat of the oppressed countries for higher wages constitutes the immediate, just, and necessary response to this superexploitation. Imperialism, therefore, has a stake in maximizing violence and political control and minimizing the freedom of trade unions, in order to impose a wage lower than *the value of labor-power*. The national bourgeoisie reacts to the restriction of its profits by demanding that the old State protect its fragile small- and medium-scale national industry. Since national bourgeois production, as a rule, is subordinate to monopoly production, its economic and political conditions are very precarious.

The agro-exporting *latifundio*, in drawing high yields from its production, enjoys a stable alliance with imperialism, although it is continuously threatened by crises of overproduction and a general decline in the international prices of its monoculture. Therefore, they are at the disposal of the international financial oligarchy. The oppressed nations struggle to secure national control over the production of national wealth and a price policy that, at the very least, guarantees the right to *capitalist land-rent*. Since the ruling classes of these States are generally lackeys of imperialism, this struggle for land-rent is reduced to haggling over profits, or "*modest indemnities*" as Lenin called them.

The resolution of the contradiction between the [oppressed] nation and imperialism, as well as that between the bourgeoisie and the proletariat, cannot be simply economic; no contract [*medida de consorcio*] of the oppressed countries or the substitution of imports can resolve this tendency toward subjugation, permanent superexploitation, the restriction of the profits of the national bourgeoisie, and the suppression of land-rent of national wealth. Only national liberation, the definitive conquest of political independence from the hands of imperialism, can ensure the achievement of these demands [*reivindicaciones*]. And this political liberation can only be achieved by way of a protracted New Democratic People's War in uninterrupted transition to socialism which, from the very outset, constructs a **joint dictatorship of the revolutionary classes in transition to the proletarian dictatorship.**

The economic basis of inter-imperialist contradiction is, firstly, control over the largest possible fraction of the aggregate of surplus-value produced on a global scale. To this end, it is necessary to monopolize the permanent superexploitation of the proletariat of the colonies/semi-colonies, thereby restricting the amount of proletarian masses exploited by the finance-capital of the rival powers; as well as control over the suppression of land-rent of the primary products of the semi-colonies, thereby reducing the costs of *constant capital* and allowing it to achieve the rate of *maximum profit*. By controlling certain raw material sources and by establishing a *monopoly price* over this primary production, they reduce the *surplus-value* of rival imperialist powers, who are only the buyers of these commodities. This contradiction is resolved by imperialist war, which is launched against oppressed nations

controlled by rival powers up until the point of direct confrontation between the powers themselves in their respective territories. This contradiction can only be resolved by **sweeping imperialism from the face of the earth**; as long as imperialism exists, imperialist and inter-imperialist wars are inevitable and inseparable part of finance-capital's pursuit of *maximum profit*.

Any of these fundamental contradictions can become the principal contradiction, thereby determining the development of the other contradictions. But, under imperialism, which of these contradictions plays the dominant role? To answer this question from an economic perspective, we must start from *maximum profit*, the particular form of the realization of surplus-value under imperialism. Therefore, the principal contradiction of the stage of imperialism is that which determines the development of the other contradictions in seeking to attain, preserve, and contest surplus-value produced in across the world, in order to achieve the realization of *maximum profit*. Analyzing this question from the economic perspective can help us demystify the relations of exploitation and production under monopoly-capitalism, as well as understand the general role of social classes and the necessary relationship between imperialism and bureaucrat-capitalism on the basis of semi-feudalism.

Since the suppression of *capitalist land-rent* is a prerequisite for the maximum profit of finance-capital, it has always been in the interests of imperialism to preserve the feudal or semi-feudal monopoly over land. This is the economic basis of the close ideological-political relationship between the big landowners in the oppressed countries and their masters in the imperialist powers. Whether for food production or the extraction of

raw materials, the existence of large landholdings in the semi-colonies is essential for the suppression of *capitalist land-rent*. Ultimately, it is far cheaper for finance-capital to pay off a small class of parasitic large landowners in exchange for the extraction of a country's national wealth, than to pay *capitalist land-rent* to an entire nation. When the old State owns this natural wealth, it generally settles for *royalties* paid by finance-capital, always lower than the rate of capitalist land-rent. These royalties, whether paid to the large landowners or the old bureaucrat State, constitute *colonial/semi-colonial land-rent* and not *capitalist land-rent*. The quantitative difference between the two is the *surplus-value* retained by finance-capital, the *surplus-value* that constitutes its *maximum profit*.

Insofar as the production of maximum profit is concerned, imperialism's exploitative relationship with the oppressed nations is similar to the exploitative relationship between the poor masses of these countries and bureaucrat-capitalism and semi-feudalism. The reproduction of the peasant economy is fundamental for bureaucrat-capital, since the peasant produces for the domestic market in exchange for a small return, which is in no way equivalent to *capitalist land-rent*. Thus, even though peasant production is much less productive than large-scale mechanized production, it often provides cheaper food. This is possible not because small-scale production is more efficient than large-scale production, but because the subjugation of the peasantry and its permanently-ruinous production—which is sold at prices lower than cost—guarantees these lower prices. In this way, bureaucrat-capital indirectly exploits the peasantry. The peasantry, isolated on his plot of land, cannot compete with the monopolized, capitalist internal

market, and is always forced to sell his production at the price he is paid. The return he receives is barely enough to reproduce his ruinous economy. Meanwhile, this ruinous production can only be preserved under these conditions if it is surrounded by large landholdings. If this weren't the case, the peasant would seek better conditions in which to grow and prosper. In this way, the *latifundista* system ensures the oppression of the peasantry, their miserable conditions, and the superexploitation through which they provide food for the domestic market without drawing either income or profit, as was the case of the Irish peasantry as analyzed by Marx. The peasants' yield, therefore, is not *capitalist land-rent*, but *semi-feudal land-rent*. This is the first economic reason why peasant production, although perpetually ruined, is never completely eliminated by imperialism.

But there is another economic reason for this phenomenon. The reproduction of the peasant economy, reduced to ruin by large *latifundista* property, serves as a reserve *army of labor* that is always available for seasonal agricultural labor. But, aside from this, the countryside in the colonial and semi-colonial countries sometimes expels waves of workers to the cities, who are subjected to the worst conditions of exploitation in the industrial and service sectors. Therefore, the reproduction of the peasant economy plays a crucial role in the constant production of relative surplus population, which, in turn, is indispensable for the other factor of *maximum profit*: the permanent superexploitation of the working class. In Brazil, the most arduous labor in the civil construction industry is, as a rule, carried out by peasants recently expelled from the countryside. If the peasant economy is liquidated, then this immeasurable

source of workers open to superexploitation, which, in general, constitutes the peasant regions in the oppressed countries, runs dry.

Due to its semi-feudal condition, the *latifundio* is the social agent of imperialism that secures the suppression of the capitalist land-rent that would belong to the peasantry in the case of agricultural production, and which would belong to the nation in the case of natural wealth pillaged by imperialism. The *latifundio* is essential for bureaucrat-capitalism, since it secures rent via the export of agricultural and mineral commodities, while also ensuring the cheap production of food by the peasantry for the internal market and the production of a surplus population that flocks from the countryside to the city, thereby guaranteeing the superexploitation of the working class in the industries of the semi-colonies. In this way, the *latifundio* contribute to the monopoly profit of bureaucrat-capital and to the *maximum profit* of finance-capital. Meanwhile, bureaucrat-capital and finance-capital provide the *latifundio* with military, political, and judicial protection for their most atrocious crimes against the peasantry and the indigenous peoples. They guarantee returns for this class of parasitic enemies of the people. This dependent relationship between the *latifundio* and bureaucrat-capitalism; between bureaucrat-capitalism and imperialism, constitutes the basis of the relations of exploitation that secure imperialist *maximum profit*.

The ultimate results of the superexploitation of the proletariat by this alliance of reactionary classes, by these three mountains (semi-feudalism, imperialism, and bureaucrat-capitalism) that weigh upon the masses of the countryside and the cities of the oppressed countries, are the countless masses of immigrants who, year after year,

flock to the imperialist countries, only to be superexploited in all different types of labor. European industry would not survive without the masses of Turkish, Kurdish, Polish, Arab, African, etc. immigrants; its service sector could not function without the masses from India, Bangladesh, Senegal, Vietnam, Ecuador, etc. In the same way, Yankee imperialism would not last a day without the masses from Mexico, Colombia, Brazil, etc., who produce everything in that country. Bureaucrat-capitalism, with the *latifundio* as one of its pillars, is responsible for the production and export of this contingent which is indispensable to imperialist production—a proletariat harassed by migration policies, police persecution, and forced to accept the superexploitative conditions of the metropolitan centers of the imperialist powers. It is the Third Worldization [*tercermundialización*] of the First World, as correctly analyzed by Chairman Gonzalo.

Monopoly price, which we studied in the previous section, is another economic element needed to understand the causes of the continuous reproduction of the obsolete industry of the national bourgeoisie and of the ruinous peasant economy in the colonial and semi-colonial countries. Although it has a much lower level of productivity than large-scale industry (so that finance-capital can establish *monopoly price* over any given branch within it), there is still the opportunity for the non-monopolist economy to survive. Because of its much higher production costs, small- and medium-scale production becomes viable when *monopoly price* increases, since it allows them to draw *minimum profit*. Beans are one of the staple food products of the peasant and worker masses in Brazil. Traditionally, it was a commodity produced by the peasantry, and was thus sold

at rather low market prices, which benefited the industrial bourgeoisie because it implied a reduction in the value of labor-power. With the pro-landowner policies of the *petista* (PT – *Partido dos Trabalhadores*; Workers' Party) government of Lula [da Silva] and Dilma [Rousseff], the peasant economy saw a considerable decline in production. In contrast to the peasantry, the *latifundio* managed to increase its market price, generating a 200% increase in the price of beans. On the one hand, this caused an increase in the cost of living for the masses of people, and, on the other, allowed peasant beans to return to the market, which, with its new price, became a viable crop, despite the low productivity. *Monopoly price* thus explains the survival of domestic industry in the cities and small- and medium-scale production in the countryside.

Therefore, imperialist *maximum profit* can be explained by this complex relationship between imperialism and bureaucrat-capitalism, between the imperialist bourgeoisie and the bureaucrat- and comprador-bourgeoisie, and between the *latifundio* and the peasantry in the colonial and semi-colonial countries. It is under these particular conditions of imperialism that the contradiction between social production and private appropriation has developed, as well as its manifestations in the class relationship between the proletariat and the bourgeoisie, which cannot be explained only as-is, but only from the perspective of the immediate relationship between *wages* and *surplus-value*; so much so that the rise of imperialism has determined the consolidation of the labor aristocracy in the imperialist countries. Colonial and semi-colonial national oppression thus implies the modification of the conditions of the

development of the contradiction between the proletariat and the bourgeoisie in the imperialist countries.

Meanwhile, it is imperialist domination that preserves the existence of the semi-feudal land monopoly in the oppressed countries, to its own benefit. This land monopoly guarantees the reproduction of the ruinous peasant economy as the producer of basic food products and the determining factor of the low wages of the proletariat in general by supplying basic goods needed for the reproduction of labor-power produced below cost-price. Thus, they ensure the reproduction of a vast industrial reserve army of labor, which, because of its miserable living conditions, is the source of the continuous expulsion of the surplus population to the big city centers. The poor masses expelled from the countryside to the city by the semi-feudal land monopoly then secures the permanent superexploitation of the proletariat in the colonial and semi-colonial countries. This superexploitation is the source of value used to bribe part of the working class in the imperialist countries. Semi-feudal land monopoly, the saturation [*abarrotamiento*] of the big cities in the oppressed countries, and the permanent superexploitation of the proletariat forces enormous contingents of proletarians to the imperialist centers. The masses of immigrants in the imperialist countries exert downward pressure on the wages of the workers in the metropolises, contributing to the deterioration of the labor aristocracy. The imperialist bourgeoisie must increase the extraction of surplus-value in its own territory more and more, because it constantly struggles against the *law of the tendency of the rate of profit to fall*, as brilliantly discovered by Marx.

Chairman Mao said that the main contradiction is the contradiction "*whose existence and development*

*determine[s] or influence[s] the existence and development of the other contradictions.*¹³⁴ The economic, political, and social analysis of imperialism proves that the principal contradiction of this stage of capitalism is between the oppressed nations and imperialism, the contradiction which determines all the others. Because, as we have just seen, colonial/semi-colonial national oppression, preserved by the *latifundio*, determines the conditions for the superexploitation of the proletariat in the oppressed countries and also in the imperialist countries. Meanwhile, colonial/semi-colonial national oppression and its inherent suppression of land-rent in the oppressed countries ensures *maximum profit*, to the detriment of the profit of the rival imperialist power. Control over these sources of raw materials, colonial/semi-colonial national oppression, also determines inter-imperialist contradiction, which, as stated up by Lenin, is summed up by the struggle for the division of the world among a handful of imperialist powers.

That is why the principal contradiction of the imperialist era is the contradiction between the oppressed nations and imperialism. This does not negate the existence of the fundamental contradiction of the capitalist process and its manifestation as the class relationship between the bourgeoisie and the proletariat, which continues as a fundamental contradiction of this process, including under imperialism. Ultimately, from an economic perspective, the aggregate *maximum profit* appropriated by the imperialist powers constitutes *surplus-value* extracted from the proletariat. Furthermore, *maximum profit* is influenced by the

134 *Ibid.*, p. 331; PCB's bolding.

suppression of land-rent of agricultural products and extractive industry in the oppressed countries, which directly promotes increase in profit (by reducing the costs of constant capital) and indirectly promotes increase in *surplus-value* (when commodities are consumed by the proletariat). The principal contradiction of the imperialist stage does not negate the fundamental contradiction of the capitalist process; it is the dialectical relationship between the universal and the particular, as masterfully established by Chairman Mao in the *law of contradiction*.